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NEWS SUMMARY

GENERAL

Belgian leader offers to quit

Belgium's Prime Minister, Mr. Leo Tindemans, tendered his resignation after his four-party coalition Government failed to agree on austerity fiscal measures.

The country has been plunged into confusion, since King Baudouin said he would need time to consider whether to accept the resignation.

Mr. Tindemans' move could be a tactical step aimed at rallying support for his programme of fiscal restraints in the face of stiff resistance from his Socialist partners. But speculation has been heightened by his recent illness. Page 2

Rescue plan

The Government is taking a fresh look at contingency plans for a military rescue operation in Rhodesia if civilian lives are endanagerd. Dr. David Owen, Foreign Secretary disclosed while launching his new "open Government" policy. But a British airlift would be undertaken only as a last resort. Back Page

Silkin warns

Britain will take unilateral action to tighten up on the conservation of fishing stocks in home waters if there is no agreement on a common fisheries policy at the EEC Council of Ministers meeting next week, Mr. John Silkin, Fisheries Minister, told the Commons. Peyton's pledge, Page 10.

Amoco theory

Sub-standard steel was probably used in the steering gear of the Amoco Cadiz and this may have led to the grounding of the vessel on the Brittany coast in March, a U.S. metallurgy expert told the Liberian Board of Inquiry. Page 6

PLO man shot

Mr. Ali Yasin, the Palestine Liberation Organisation's chief in Kuwait, was shot dead. Fatah representatives alleged that the Iraqi Government was responsible for the killing. Page 4

£140,000 raid

Four armed men snatched £147.701 in wages from a Securicor van at the Greater London Council depot at Wormwood Scrubs, West London. A £14,000 reward has been offered.

Boys on the run

Two boys were still on the run last night after overpowering guards in a coach taking them to borstal at Rochester, Kent. Four others who escaped with them were recaptured, while four remained on the coach.

Briefly . . .

Scotland's World Cup squad refused to be interviewed when they arrived at Gatwick. But later Bruce Rioch, the captain, blamed the British Press for the team's low morale.

British Davis Cup team manager Paul Hutchins urged top player Buster Mottram to quit the Naional Front after a demonstration by he Ani-Nazi League in Bristol.

Newark court awarded Theresa Bennett, 12, damages of £250 against the Football Association for unlawfully discriminating against her by banning her from playing for a boys' team.

Panama City: University classes were suspended after two people died in clashes between police and students demonstrating against the forthcoming visit of President Carter.

Cool, unsettled weather is expected over the next 30 days. Back Page

Three American tourists were killed and 19 injured when their coach was in collision with a Continental juggernaut lorry on the A5 in Shropshire.

King Hussein of Jordan married Lisa Halaby, a 26-year-old American, in Amman.

BUSINESS

Wall St. down 10; Copper falls £13¾

● WALL STREET closed 10.31 down at 844.25. Analysts attributed the fall to the Dow entering a corrective phase, and to fears about the U.S. money supply.

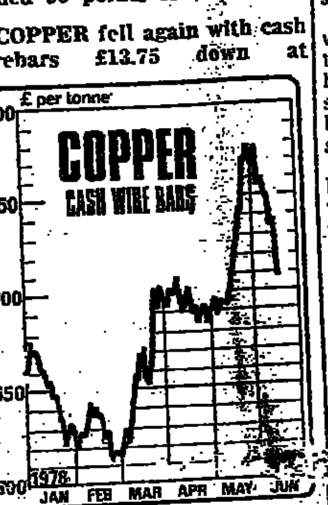
● EQUITIES drifted lower, with the FT ordinary index closing above its worst—2.7 off at 469.2. In Hong Kong, institutional buyers from London pushed the Hang Seng index up 18.28 to 546.54, its highest for the past 4½ years.

● GILTS closed mixed with the Government Securities Index 0.06 down at 70.57.

● STERLING fell 22 points to $1.8305, its index remaining at 61.3. The dollar's depreciation narrowed to 5.8 per cent (6.0).

● GOLD lost $1¼ to $182¾ in London and in New York the Comex June settlement price gained 90 points to $184.10.

● COPPER fell again with cash wirebars £13.75 down at £709.75 — a decline of £70 in the past two weeks.



● OECD ministers have agreed to concerted measures to step up economic growth but set no targets, and eight countries, including the UK, pledging to ensure that domestic demand increased significantly in 1978. Back and Pages 4 and 23

● EEC plans to order Britain before the end of July to abolish or modify its system of interest relief grants for UK suppliers of North Sea oil equipment. Page 2. At the same time, Commissioners have had to delay decision on proposals for "crisis cartels" to protect sectors like synthetic fibres as they may violate EEC competition rules. Back Page

● CBI will express its total opposition to cuts in the 40-hour working week when it meets Mr. Healey for talks on the next phase of pay policy. Back Page

Racal may sell SA offshoot

● RACAL ELECTRONICS is close to selling its South African subsidiary, Racal Electronics SA, to a local company for £6¼m cash. Page 26

● BSC is to increase the prices of most of its standard products by about 5 per cent from July 9. Page 6

● LLANWERN blastfurnacemen have agreed a union peace plan for ending their dispute which shut the steelworks and made 4,900 steelworkers idle, but it seems that a return to work may depend on BSC's compromising over manning levels. Page 10

● MASSEY FERGUSON'S call for 900 voluntary redundancies among manual workers at its Coventry tractor plant was answered by 1,500 employees. Page 10

COMPANIES

● TATE AND LYLE profits fell from £24.9m to £11.1m for the six months to March 31. Page 24 and Lex

● ENGLISH CHINA CLAYS pre-tax profit fell from £13.51m to £8.53m for the six months to March 31. Page 25 and Lex

● CHLORIDE GROUP second half profit climbed from £15.59m to £17.85m, but the result for the full year was £1.3m down at £25.07m. Page 24 and Lex

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:

Barr & Wallace Arnold Tst. A	99	+ 5
Brown & Jackson	125	+ 9
Chloride	109	+ 5
Control Secs.	37	+ 2
Mills & Allen Intl.	180	+ 10
Paterson (R.)	47	+ 8
Pork Farms	683	+ 40
Sedgwick Forbes	425	+ 8
Staveley Inds.	288	+ 16
Triplex Foundries	84	+ 6
Vinten	117	+ 7
British Borneo Pet.	164	+ 4
Sabina Inds.	82	+ 11
Sungei Besi	220	+ 12
Yukon Cons.	180	+ 7

FALLS:

Allied Retailers	268	− 10
Bath & Portland	78	− 4
Brit. & Cmnwlth.	285	− 20
Brown (J.)	354	− 8
Caledonia Invs.	236	− 18
Cohen (A.)	158	− 7
English China Clays	74	− 4
Furness Withy	238	− 7
Lloyds Bank	270	− 5
LOFS	25½	− 2
Midhurst White	30	− 2½
Robertson Foods	144	− 7
Westland Aircraft	33	− 19
Anglo Utd. Devs.	225	− 35
Messina	91	− 5
Northgate Explrtn.	445	− 20
Westfield Minerals	104	− 6

GEC–U.S. group may rival NEB on semi-conductors

BY MAX WILKINSON

The General Electric Company has reached an advanced stage of discussions with Fairchild, the U.S. semi-conductor company, for the setting up of a major micro-electronics company in Britain.

The new company would be set up as a joint venture between GEC and Fairchild to make large scale metal oxide silicon chips for computer memories and micro-computers.

Initial capital would be about £50m, but total investment could eventually be very much more.

The venture would be in direct competition with a plan by the National Enterprise Board to set up a semiconductor subsidiary with £30m-£50m of taxpayers' money and the help of a group of U.S. and expatriate British technologists.

It also intends to make MOS memories, probably starting with a component which has 64,000 microscopic cells.

No deal has been signed yet between GEC and Fairchild, but Dr. Lester Hogan, vice-chairman of Fairchild confirmed last night that talks were at an advanced stage.

"If a deal can be reached, I would look very favourably on the enterprise, and I think it has a much better chance of success than a company set up by the British Government," he said.

Fairchild has, for some time, been considering closer integration with an electrical company which can use its semi-conductor technology in the design and manufacture of systems.

GEC has recently come to realise that mastery of micro-electronics design and production will increasingly be the key to success in telecommunications, military electronics, automation and many other parts of its business.

Although Dr. Hogan would give no further details of the talks with GEC, he said that the technical skills of the two companies were complementary and could be of great benefit to each other.

In the first quarter of this year, Fairchild increased its net profits to $5.7m on sales of $116.8m. Mr. Wilfred Corrigan, the chairman, said recently that orders for the first quarter were higher than they had been in a comparable period for four years.

However, the company has had problems over the past few years, with modest profits compared with some of its rivals.

It had to sustain heavy losses from its ventures into the consumer market, particularly in digital watches, which have been losing money at the rate of $20m to $30m a year.

GEC last night declined to comment on the plan. Senior executives are believed to be surprised and slightly puzzled that the British Government should choose to set up a competitive company at present.

So far, no European-owned company has made any significant inroad into the mass semi-conductor market for standard products like computer memories.

ITT is the only company in the UK with large design and production effort devoted to large-scale memories, though several U.S. companies have British subsidiaries.

The French Government is trying to promote a link up between Thomson CSF and a U.S. semi-conductor company. The possibility of buying a 30 per cent share in Mostek has been considered.

In Germany, the possibility of a link between Siemens and a major U.S. semi-conductor company has been mooted, but so far Siemens has been content to carry on its own development work with government aid and to buy several relatively small U.S. companies.

Neither Siemens nor Thomson has achieved any success in the mass market for standard semi-conductors.

Like the two other British-owned companies in the field, Ferranti and Plessey, they have concentrated on specially designed circuits.

Financing of Government loans to be examined

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

ALTERNATIVE to the present method of financing the Government's borrowing needs are being studied in Whitehall.

This is being undertaken as a result of the funding crisis which led to last week's credit squeeze and rise in short-term interest rates.

There is understood to have been dissatisfaction within the Cabinet about a system which forced the introduction of such measures less than two months after the spring budget.

Mr. James Callaghan and Mr. Denis Healey, the Chancellor, are believed to have been irritated with the Bank of England.

They felt that the bank had not fulfilled assurances, given at the time of the budget, that sufficient gilt-edged stock could be sold without drastic measures.

A rather different view might be taken in the City, given the concern about the high level of public borrowing.

The official line in Whitehall yesterday was that no formal study had been ordered by the Cabinet.

But officials are thought to be re-examining alternatives to the present system of selling tap stocks—for example, by regular auctions or tenders and by introducing new types of stock.

It is not clear what this informal study will achieve, as alternative methods were considered before the recent package and rejected after opposition by the Bank.

Money supply table Page 6
Editorial Comment Page 22
Lex Back Page

The extent of the pressure leading up to the package was revealed by the money supply figures for the month to mid-May published yesterday.

These show that domestic credit continued to expand rapidly and rose by £1.1bn, seasonally adjusted, in the period, compared with a ceiling of £6bn for the full 1978-79 banking year.

Sales of gilt-edged stock were insufficient to cover the borrowing requirement and sterling bank lending to the private sector rose sharply.

Bank lending to the private sector in sterling rose by £770m, seasonally adjusted, in the month to mid-May.

The extra contribution from this source to domestic credit expansion was £751m, compared with £573m and £262m in the previous two months.

Some of the rise may have been due to borrowing in anticipation of possible credit restrictions, although there has probably been a rise in the underlying growth of lending associated with the pick-up in economic activity too.

The rise in sterling M3—the broadly-defined money supply

Continued on Back Page

Romania signs £300m. air deal

BY LYNTON McLAIN

BRITAIN AND Romania have concluded a big aerospace deal, worth more than £300m by 1993, for the supply and manufacture under licence of BAC One-Eleven airliners and Rolls-Royce Spey jet engines.

Detailed financial arrangements have still to be concluded and export credits for £125m arranged.

British Aerospace greeted the signing at its Filton, Bristol, factory yesterday of the final agreement of the £20m first phase as the beginning of the largest industrial and technology transfer programme in transport aircraft history.

The agreement was signed during the visit to Filton by President Ceausescu of Romania.

This initial deal establishes the licence for manufacturing the BAC One-Eleven in Romania. Construction will involve a phased programme of manufacture and assembly of complete aircraft in Romania.

Although production will continue in Britain about 80 aircraft are to be produced in Romania over the next 15 years.

Details of the deal have been slow to emerge because of difficulties over Romania's request that the contracts be handled in sterling. Britain's Export Credits Guarantee Department prefers to operate in dollars and has so far agreed to back only £100m of the estimated total of £300m.

The clearing banks in London have agreed to help and the total now guaranteed is believed to be £175m.

Rolls-Royce said that it had also reached agreement for the joint manufacture of 225 Spey civil aircraft engines over 15 years.

Under the deal, which could be worth up to £100m to Rolls-Royce, Romania will make sections of the Spey 512 under licence. Half the parts by value would be made in Romania, where the engines will also be assembled and tested.

The overall programme is expected to start with the sale of three completed aircraft from British Aerospace. Over the first seven years of the deal, UK manufactured parts will be supplied in kit form to cover the first 22 aircraft.

By 1985 the entire manufacturing process will have been duplicated and transferred to Romania.

Half the One-Elevens produced there will be for Romanian internal use. The others are expected to be sold on world markets.

Industrial output increases sharply

BY DAVID FREUD

THERE ARE now clear signs that economic activity has strengthened in response to increased consumer spending.

The latest figures show that industrial production increased sharply in April, reinforcing a steady drift upwards since the beginning of the year.

The Central Statistical Office's index of total industrial output rose 1.5 per cent in April to 104.8, compared with 103.2 in March (1970=100, seasonally adjusted). The manufacturing industry index was 1 per cent higher at 105.5.

The increase is supported by evidence from industry of the increase in consumer demand working through. It is likely to be reflected in future surveys of industrial opinion.

The improvement is still rather patchy, however, and represents to some extent only a recovery from the low output levels recorded in the latter half of last year.

In the February-April period, all-industry output was 1.3 per cent up on the previous three months, while manufacturing industry was 1.2 per cent higher.

About a third of the improvement is attributed to greater output from energy and fuel industries, and this was due mainly to the colder than normal months of February and April.

Nevertheless, the all-industry index now stands at its highest level since 1974 and in February-April it was 5 per cent, above the trough of the business cycle in the third quarter of 1975, and 1.5 per cent. above the same period last year.

The largest element within the index — the engineering and

Continued on Back Page

INDUSTRIAL PRODUCTION
1970=100 seasonally adjusted

		All Industries	Manufacturing
1976	1st	100.1	101.2
	2nd	101.5	103.3
	3rd	100.9	103.4
	4th	102.8	104.5
1977	1st	103.2	105.3
	2nd	101.9	102.9
	3rd	102.7	103.7
	4th	102.2	103.2
1978	1st	103.2	104.1
	Jan.	102.9	103.7
	Feb.	103.5	104.0
	Mar.	103.2	104.5
	April	104.8	105.5

Source: Central Statistical Office

£ in New York

—	June 15	Previous
Spot	$1.8315-8325	$1.8305-8315
1 month	0.70-0.62 dis	0.90-0.85 dis
3 months	1.77-1.61 dis	1.90-1.85 dis
12 months	5.60-5.40 dis	5.30-5.80 dis

Leone resigns as President of Italy

BY PAUL BETTS AND DOMINICK J. COYLE ROME, June 15.

PRESIDENT GIOVANNI LEONE of Italy resigned tonight after months of accumulated but so far unsubstantiated allegations about association of the President and members of his family in a range of corrupt practices, including fiscal irregularities.


Sig. Leone: 6½ years as President.

This is the first time an Italian President has tendered his resignation.

Addressing the nation on television, Sig. Leone said his decision, which he had considered taking for some time, followed the "defamatory campaign" against him which, he said, had apparently undermined the confidence of the country's political forces in him.

He told the nation that in his six and a-half years as President he had always acted as "an honest man."

The Presidency is now to be assumed on an interim basis by the President of the Senate, Sig. Amintore Fanfani, the veteran Christian Democrat leader. Both Italian Chambers must, according to the constitution, meet within two weeks to elect a successor to Sig. Leone.

So far there are no concrete signs of an all-party consensus on a successor.

Worst crisis

Sig. Leone's resignation comes only a month after the kidnapping and murder by Red Brigade Leftist terrorists of Sig. Aldo Moro, the former Prime Minister, which plunged the country into one of its worst crises in 30 years.

In the last few days some Left-wing politicians and the leader of the small but influential Republican Party, Sig. Ugo la Malfa, reiterated earlier demands for Sig. Leone's resignation.

Italy's powerful Communist Party, part of the present Government majority though not represented in the minority Christian Democratic administration, had joined today the increasing demands for resignation of the President.

These demands followed publication here of a series of major but unsubstantiated allegations against Sig. Leone and members of his family, touching on reported fiscal irregularities and a number of corrupt practices.

A state prosecutor has started investigations to see if there are grounds for criminal proceedings.

These and similar charges against the President have been building up in recent months, and a series of formal denials have been issued on behalf of Sig. Leone, a former Christian Democrat Prime Minister, answering specific allegations.

A Communist Party spokesman, Sig. Alessandro Natta, said tonight: "We believe that the current extremely delicate situation of the President makes it advisable for Sig. Leone to take the necessary steps to enable him to defend himself without being hindered by his official status."

The charges against Sig. Leone and his immediate family have been repeated again in the past few weeks in a series of general articles carried in the Left-wing weekly L'Espresso.

There are some indications that political forces opposed to Sig. Leone have moved privately to help orchestrate this damaging publicity.

The name of the President had previously been associated with Italy's Lockheed scandal, but all charges of his involvement have been vehemently denied by him, or on his behalf.

However, the leadership of the Christian Democratic Party, including the present Prime Minister, Sig. Giulio Andreotti, and the reformist secretary-general, Sig. Benigno Zaccagnini, are known to have considered in recent days the renewed allegations against Sig. Leone, who in any event was ue to retire at the end of the year.

Recently many powerful elements in the Christian Democratic Party believed that the President of the Republic must not be condemned by something like a smear campaign, although there was a growing acceptance that Sig. Leone should be free to defend himself vigorously against public charges and allegations.

For his part, Sig. Leone has already made it clear that members of his family intend instituting legal proceedings against their critics, though he is understood himself to have accepted that as long as he was President there were obvious difficulties in his doing so personally.

Search for successor, Page 2

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EUROPEAN NEWS

LEO TINDEMANS RESIGNS

Political confusion grips Belgium

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT BRUSSELS, June 15.

BELGIUM WAS plunged into a state of severe political confusion this evening, when M. Leo Tindemans tendered his resignation as Prime Minister following the failure of his four-party coalition Government to agree on a series o controversial fiscal austerity measures.

M. Tindemans' resignation was not, however, accepted immediately by King Baudouin, who received him for several hours at the Royal Palace today. The King said that he needed more time to consider the situation, and his devision may not be known for some days.

Politidal opinion here is divided over whether M. Tindemans' move is meant to be taken seriously or whether it is merely a tactical step aimed at rallying support for his attempts to push through a programme of fiscal restraints in the face of stiff resistance from his Socialist partners as well as from some sections of his own party, the Social Christians.

When the proposals, aimed at reducing the estimated BFr 60bn (about £1bn) deficit on this year's budget, were first mooted last April, he warned that unless they were agreed in Cabinet by mid-June he would "draw the political consequences." This was widely interpreted as a resignation threat.

But it seems unlikely that he would choose to call an election in July, when much of the electorate will be on holiday, and, if his resignation offer were accepted, it could well signal his withdrawal from the centre of Belgian national politics after more than four years as Prime Minister.

Prime Minister Leo Tindemans arrives at the palace for his meeting with King Baudouin.

Speculation along these lines has been heightened by his recent illness from a heart ailment and by reports that he was tiring of trying to hold together his unwieldy coalition, which also includes the Flemish Volksunie and the Brussels-based Front Democratique des Francophones.

On the other hand, there is no obvious successor to M. Tindemans as head of the Government and his departure would probably lead to a lengthy period of political uncertainty. In these circumstances, the future of the coalition itself, as well as of economic policy and the country's intricate plans for devolving more power on the Flemish and Walloon communities, could be called into question.

Differences inside the Government over the so-called fiscal anti-crisis plan came to a head early this morning after a long meeting presided over by M. Tindemans. They were apparently provoked by a demand by M. Mark Eyskens, the Social Christian Budget Minister, for wide-ranging "special powers" over fiscal policy until the end of this year.

His demand, which would effectively deny the Parliament the right to amend the Government's 1979 budget proposals, was clearly aimed at re-asserting his control over the anti-crisis programme, whose original provisions have been greatly watered down at the insistence of the Socialists.

The proposals agreed so far call for little more than placing a ceiling on state pensions, clamping down on tax evasion and doubling medical charges and would have little impact on the budget deficit. Moreover, the Socialists have been pressing for the creation of a public investment bank to aid ailing industries which could actually lead to higher state spending.

M. Eyskens' demand was backed by M. Tindemans and other members of the CVP, the Flemish wing of the Social Christians, but strongly opposed by the Socialists. They believe that it would be used to cut back on social security and unemployment benefit spending, which has boomed in the past year and has contributed heavily to the overall budget deficit.

The PSC, the French-speaking wing of the Social Christians, has also been cool to M. Eyskens' demand. The Minister in charge of social security, M. Alfred Califice, is a member of the PSC and the party fears that its political support in Wallonia could suffer from the unpopularity which cuts in benefits would arouse.

The situation is further complicated by the two regional parties belonging to the coalition, the Volksunie and the PSU, who want to link the anti-crisis plan in some way to the recently agreed inter-communal pact which would give more power to regional authorities in Flanders and Wallonia.

Income tax reform scheme in W. Germany

By Adrian Dicks

BONN, June 15.

THE Free Democratic Party, junior partner in the West German coalition, is making a determined bid to regain popularity with the voters after last week's heavy losses, and at the same time to re-establish itself as the party of ideas in Bonn.

The FDP has taken the initiative in suggesting reforms for the tax structure which, if agreed with the Social Democrats, could be presented at the world economic summit next month as an important contribution towards boosting West German domestic demand.

If implemented, the FDP proposals would put anything up to DM 20bn back into the hands of personal and business tax-payers.

However, the plan was expected to run into opposition from the Social Democrats, while the Bonn Finance Ministry declined all comment on it.

According to a draft plan released to the Press earlier this week, the FDP wants to bring forward to January 1 at least the first stage of the long-discussed reform of the income tax structure. The Party wants to lower by 1 percentage point, the 22 per cent rate of tax on the lowest income bracket (up to DM 16,000 a year for a single person, or twice that for a married couple).

Further, the FDP is suggesting softening the effect of the "jump" in tax rates to 30.8 per cent that takes place immediately above this level. The cost of each percentage point reduction of the 22 per cent rate has been calculated as a DM 3.5bn loss to the public purse, while the moderation of the jump up to 30.8 per cent has been reckoned as costing DM 7bn.

Among other changes suggested by the FDP are the raising of tax-free allowances for individuals, the raising of child allowances and grants to students, and the reduction of the present trade income tax —though this would be partly offset by an increase to 13 per cent in the standard value added tax rate in line with broader tax harmonisation among European Community members.

Amid continuing uncertainty about what West Germany will offer its partners at the mid-July economic summit in Bonn, tax cuts have been advocated as the most constructive fashion in which the West German Government could give something away of substance, while avoiding the short-term pump-priming it regards as ineffective and potentially inflationary.

However, neither the Social Democrats nor the Finance Ministry has chosen to show as many of their cards as the FDP has done, nor to question out loud the conventional wisdom that says income tax reform could not be put even partially into effect as soon as next January.

While the FDP risks friction with its partner by doing so, it has plainly felt a compelling need to display imagination in the tax field because of its humiliating losses—partly at the hands of tax protesters—in the two June 4 state elections.

Controls to replace Norway price freeze

Norway's Under-Secretary of State in the Consumer Affairs Ministry, Mr. Geistein Gulbrandsen said the Government will replace its price freeze by a system of strict price regulation, the Norwegian Information Service told Reuter in Oslo.

The switch will take place over the next month after comments on the controls have been obtained from trade unions, employers and industry.

Brussels to act against UK oil platform subsidy

BY OUR OWN CORRESPONDENT BRUSSELS, June

THE EUROPEAN Commission is planning to order Britain before the end of next month to abolish, or at least modify, its system of interest relief grants for domestic suppliers of North Sea oil equipment on the grounds that it distorts competition in the EEC.

The system, which has been in force for about five years, provides interest subsidies of 3 per cent on loans to UK suppliers of offshore fixed platforms, platform installations, submarine pipelines and single buoy moorings.

One of the Commission's main objections is that the interest subsidies are not available to suppliers in other EEC countries. Britain is therefore expected to be told either to extend the system throughout the Common Market or to scrap it completely.

The Commission opened an investigation into the scheme at the end of 1975 on the basis of a complaint by another EEC government, believed to be Denmark. But it has deferred taking further action until now in the hope that Mr. Anthony Wedgwood Benn, the Energy Secretary, could be persuaded to modify it voluntarily.

However, according to well-placed Commission officials, repeated approaches to Mr. Benn by M. Raymond Vouel, the Competition Commissioner, have borne no fruit. Officials say that the Commission will act before the end of July to force Britain's hand. The necessary procedures will be set in motion within the next few days, when suppliers in the rest of the EEC will be formally asked to comment on the system within 30 days.

Competition experts in Brussels are convinced that the scheme is in clear breach of Article 93 (2) of the Rome Treaty, which prohibits State aids deemed incompatible with the Common Market. They also consider that it violates EEC rules which require State aids to be linked to industrial restructuring.

The Commission is entitled to act against the scheme without first obtaining a decision from the Court of Justice, though it would be likely to seek a court ruling if Britain refused to comply. The UK could also appeal against the order, though the latter would not be automatically suspended during court proceedings.

The scheme is only one aspect of North Sea policy which the competition department is investigating. It is also examining complaints that the UK requirement that all North Sea oil be landed on its territory is an illegal restriction on trade, as well as allegations that the British National Oil Corporation enjoys unfair competitive advantages over other operators.

The Commission has no closed what action it plan take in these cases. But th have been clear signs that attitude towards the UK hardened since last mo energy council, at which Benn helped block a decision a package of energy measure resisting proposals to ease capacity in the refinery se

With a British general elec likely this year, it seems im able that Mr. Benn will his position within the fore able future. The view is th fore growing in Brussels there is little to be gained ally by further delaying con versial competition cases aga UK energy policies.

Kevin Done adds: The UK however been taken by sur by the Commission's action. Department of Energy yesterday that modifications already been submitted to Commission to bring the inte relief scheme within the terms the Treaty of Rome.

The DoE is still waiting to Brussels' response to its la proposals, made some time following a meeting between Benn and M. Vouel. department said it was tot untrue for the Commission claim that its approaches had borne any fruit.

Editorial comment, Page 2

Italy faced with difficult task in choosing successor to Leone

BY PAUL BETTS AND DOMINICK J. COYLE ROME, June 15.

IT IS TOO early to know, and it may well rest finally with the courts to determine the issue, whether tonight's sudden resignation of the President Giovanni Leone is the tip of an Italian Watergate.

What has become clear in recent days is that the whisper campaign against the President and the more damaging published alegations of corruption were combining to make his position untenable. To the extent that he sought to deny each new charge, his high office was inevitably being compromised. On the other hand, his silence could be interpreted as some acknowledgement of guilt.

Initially, the Quirinale Palace had recourse to formal denials but these only hastened the frequency of new charges, many of which were "answered" through informal briefings for selected correspondents. Meanwhile, political forces opposed to Sig Leone and others who sought his removal for ulterior motives, were at work orchestrating the anti-Leone campaign of allegation and innuendo.

No firm evidence has yet been advanced to substantiate any of these alegations and Quirinale denials, where issued, have been unambiguous, touching on charges not only against Sig. Leone himself but also against members of his family. In some instances, legal actions have been initiated, but there were obvious practical difficulties and also some constitutional restraints preventing Sig. Leone taking direct legal action while President.

His resignation now presents the main parties with a decision they were hoping to avoid until nearer December when President Leone would have retired, having completed his full seven-year term. They have two weeks to find an agreed candidate for the Quirinale if they are to avoid an acrimonious contest which could undermine the present fragile parliamentary majority behind the minority Christian Democrat Government of Sig. Giulio Andreotti.

To complicate matters, Sig. Andreotti himself could well be a candidate for the presidency.

Italian presidents are elected by the Senate and Chamber of Deputies sitting together, and specially augmented for the occasion by representatives of the regional governments.

Given the present parliamentary balance, following the inconclusive 1976 general election, this gives an effective veto to the Communists, since the successful candidate for the presidency needs to secure two-thirds of the vote, although a simple majority will suffice in the event of repeated deadlock.

Nevertheless, it is taken for granted here that a government-backed candidate for the Quirinale elected despite Communist opposition would almost certainly result in a Communist withdrawal from the existing governing alliance, whether under the premiership of Sig. Andreotti or another leading Christian Democrat.

Such an outcome would probably make a new general election inevitable, but that too would now be possible with a new President, since there was a constitutional barrier to Sig. Leone dissolving Parliament in

The sudden resignation presents the main parties with the task of picking an agreed Presidential candidate if they are to avoid an acrimonious contest which could upset the coalition.

the so-called "white semester," the last six months of his presidency.

Hence, while the present presidential crisis can in turn create a government crisis, there is at least the possibility of again going back to the electorate to try to resolve it, and there are right-wing forces within the Christian Democrats who would favour such a course, having noted a sharp anti-Communist trend in recent local elections.

Fourteen days is a short time in which to secure main party agreement on a candidate, the more so because the principal parties believed until a few short months ago that a basis for agreement existed to replace Sig. Leone on his scheduled retirement.

The Red Brigades terrorist group put an end to that consensus when they kidnapped and assassinated the five-tim Prime Minister, Sig. Aldo Mo for by general consent Sig. Mo would have been an unoppos candidate for the presiden Now the field is seemingly wi open.

Political realities here in Ita exclude a direct Communist ca didate, the same realities sugge ing someone from the Christi Democrats, or just possibly fro the country's third political forc the Socialists. The alternati would be a non-party candidat but few personalities of su stance exist here who are n associated with party politics.

It is known that Sig. Andreot has ambitions towards the Qui inale, but so too does th man who now serves as actin President—the president of th Senate, Sig. Amintore Fanfani, former Prime Minister. He no great admirer of Sig Andreotti and lately has move to mend his fences with the Com munists. His critics have note that these fence-mendin exercises have not been ur related to his developing amb tions to replace Sig Leone.

In fact, there is no shortag of willing candidates. What mus be secured, and quickly, is consensus between the mai parties and one which can pro duce an agreed candidate with out a damaging inter-party con flict, which could sow the seeds of yet another government crisis.

Sig. Fanfani and Sig. Andreotti apart, other immediate "possibles" include Sig. Benigno Zaccagnini, the reformist secretary-general of the Christian Democrats, Sig. Antonio Giolitti, one of Italy's two EEC Commissioners, who would have Socialist backing, and somewhat less likely, the veteran Republican Party leader and elder statesman, Sig. Ugo la Malfa.

But then Italy has always had difficulty in electing its presidents. Sig. Leone himself was finally elected in December, 1971, on the 23rd ballot, his predecessor, Sig. Giuseppe Saragat, after 21 counts spread over almost 47 hours of voting. Indeed, the difficulties in electing an Italian President are almost as great as the opposition of the established parties to the proposal that the President should be elected by universal suffrage.

Given the limited constitutional role of the office, it is perhaps surprising that this should be so, but it is also an indication of how fiercely the politicians will fight to secure the office, in party terms "if not always in terms of personalities.

Division in Lisbon ruling alliance

By Jimmy Burns LISBON, June 15.

FOR THE first time since it took office last January, the ruling Portuguese alliance of Socialists and Christian Democrats (CDS) appears to be divided on future Government legislation. The CDS today published in full its alternative to the plans for a national health service already drawn up by Sr. Antonio Arnaut, Social Affairs Minister, a member of the Socialist Party.

The CDS is in agreement with the Socialists that the country's archaic health service should be reorganised but is adamant that patients should share the cost of treatment with the State, as well as have the right to a free choice of doctor.

In this, the CDS is echoing the demands of Portugal's conservative Medical Association and many of the country's 13,000 doctors, a large proportion of whom went on strike in protest at the Minister's proposals earlier this week in the north of Portugal.

Doctors feel that a national health service as proposed by the Socialists would sacrifice the efficiency of the medical profession to an inflated bureaucracy.

Challenged in the current debate over the health system is the continuing alliance in government of two parties who have managed surprisingly well since January to bury their partisan interests for the sake of getting down to the more urgent problems of an economic crisis.

The Government's public image, skilfully stage managed by Prime Minister Mario Soares and the leader of the CDS Dr. Freitas do Amaral, has until now appeared to contrast considerably with the bickering and politicking which characterised the last struggling months of the minority Socialist government.

In parliament, the alliance has succeeded so far in doing precisely what it was originally ntended to do: push through urgent legislation such as that of the budget and the packet of austerity measures with a convincing majority of votes.

Despite this some political commentators here still seriously question the ability of this unity to persevere until 1979 as proposed in the Government programme.

This school of thought emphasises that though debate on the health service may for the moment end in compromise, there are a number of other issues not yet publicly debated which, once allowed to surface, could provoke the divergent political views of the two parties in power.

The issue of agrarian reform is one example which is far from settled and on which Socialists and Christian Democrats are known to differ. The CDS is answerable to the conservative rural sector which is becomingly increasingly impatient at the failure of the present Minister of Agriculture to hand land back to its original owners after it was illegally expropriated in the Alentejo region in 1975. Tied up with this issue is the question of indemnification.

Not so long ago, Dr. Vitor Constancio, the present Minister of Finance (and a Socialist), attempted to reassure a group of apprehensive businessmen at a private luncheon that while 1977 had been the year of politics 1978 was clearly going to be the year of economics.

Until now, realism has succeeded in taking the place of ideology. Yet the current debate on the health service would suggest that politics may still be very much part of Portuguese life.

Fewer out of work in France

BY DAVID CURRY PARIS, June 15.

THE LEVEL of unemployment in France dropped slightly between April and May but looks set to rise steadily throughout the rest of the year as school-leavers seek jobs an companies continue to shed labour.

Although the index of industrial production rose to 131 in April against 129 in March and 125 in February (seasonally adjusted and excluding construction), there are no signs of a rapid general growth in output.

In fact, the latest Bank of France survey of business activity forsees no "important development" in industrial production before the summer holidays.

"For the moment heads of companies are little disposed to take decisions on investment and recruitment and they are concentrating on improving or restructuring their factories or sales network," it comments.

The Bank notes that stocks have built up, but relatively modestly and in line with normal seasonal expectations. It sees little change in the relatively sparse pattern of ordering.

The employment situation is described both by the Bank and by the Ministry of Labour as "pre-occupying." The Bank says that only skilled manpower is in demand and seasonal hiring of casual workers in fields like civil engineering and construction is very slight. It wonders whether companies are holding back from recruitment until the Government's latest batch of fiscal employment incentives come into force.

Ministry of Labour figures show a drop in the numbers of unemployed in crude figures from 1.068m in April to 1.037m in May, again a seasonal phenomenon but nowhere near as it would be in a year of normal economic activity. Unemployment has worsened by 6.2 per cent over the year.

The Government has stopped giving the seasonally adjusted version of the figures on the grounds that these are misleading. They have, none the less, been worked out by a host of unofficial experts and show a 26,000 increase in jobless over the months to 1.132m.

While vacancies are up from 90,000 to 94,000, the Ministry of Labour says they have dropped to below 87,000 from 90,000 according to seasonally adjusted estimates.

M. Robert Boulin, the Labour Minister, has estimated that unemployment will reach 1.2m this year.

President Valerie Giscard d'Estaing yesterday ruled out emergency measures, such as lowering the retirement age and shortening the working week, to combat unemployment and said that the only long-term guarantee of employment was to press ahead with the modernisation of the economy.

NATO reply to arms plan urged by Warsaw Pact

BY PAUL LENDVAI VIENNA, June 15.

THE WARSAW Pact today urged NATO to give "in the very near future" a constructive response to its latest proposals on force reductions in Central Europe and start immediate work on a concrete agreement.

At today's 173rd plenary meeting at the 19 nation East-West troop reduction talks, Mr. Emil Keblusek the Czechoslovak Ambassador, claimed that the Warsaw Pact initiative, put forward a week ago, took into account "to a considerable extent" previous Western proposals. He said that in the first phase it provided for Soviet troop reductions twice as high as those envisaged for U.S. forces stationed in central Europe.

However, a NATO spokesman today said that the practical value of the acceptance by the East of a common manpower ceiling of 700,000 for ground forces on each side was "questionable." The East admitted only to a "light" superiority while according to Western data Warsaw Pact ground forces in fact outnumbered NATO by 150,000 men, he added.

Meanwhile it is understood from reliable sources that the latest Eastern proposal suggested that Warsaw Pact ground forces should be reduced by 105,000 and those of NATO by 91,000 to a common ceiling on each side of 700,000.

Another major bone of contention concerns the Eastern efforts to place so called separate sub-ceilings on national forces in the area, a move primarily aimed at West Germany.

Last but not least, the NATO spokesman today also made it clear that the Eastern proposal for selective arms reduction in phase one is "far short" of what the West proposed in December 1975. Under that proposal, the U.S. would withdraw 29,000 men as well as 1,000 nuclear war-heads, 54 nuclear capable aircraft and 36 Pershing ballistic missiles in exchange for the withdrawal of five Soviet divisions (68,000 men) and 1,700 tanks from the central region.

Opposition to Dutch curbs on spending

By Charles Batchelor AMSTERDAM, June 15.

HOLLAND'S RESTRAINT package which aims to lop about Fl 10bn ($4.5bn) off Government spending over the next three years has run into problems in the cabinet. Details of the package are now unlikely to be presented to Parliament before next Tuesday, the Government Information Office said.

The proposed cuts have encountered fierce opposition from some Ministers who are unwilling to accept the suggestions of the Finance Minister, Mr. Frans Andriessen. Mr. Andriessen today postponed a trip to the meeting of the Organisation for Economic Co-operation and Development (OECD) in Paris and the Social Affairs Minister, Mr. Willem Albeda, called off a trip to an International Labour Organisation (ILO) meeting in Geneva to enable talks to continue in the Hague.

PRESIDENT TITO'S COMMUNIST PARTY CONGRESS

Allowed to grumble but expected to obey

BY ANTHONY ROBINSON IN BELGRADE

NEXT TUESDAY President Josip Broz Tito, leader of the League of Communists of Yugoslavia (CY) will stand up before over 2,000 party delegates and numerous foreign party delegations, including a powerful Soviet one expected to be led by senior Politburo member Andrei Kirilenko, to review the Party's progress since the Tenth Congress four years ago, and to look forward to the 1980s.

In one very important respect 1978 is a specially important year for Yugoslavia. It marks the 30th anniversary of Yugoslavia's expulsion by Stalin from the Cominform as a punishment for the independent line which President Tito insisted on taking —a line he has insisted on with even greater emphasis ever since.

Reflecting this historical anniversary, the speech, which President Tito has spent weeks preparing on his island retreat of Brioni, is expected to be divided into two parts. The first is expected to be an historical review of Yugoslavia's progress from the break with the Cominform up to the Tenth Party Congress in 1974. The second part, covering developments since then and looking to the future, will thus benefit by being placed in historical perspective and is expected to stress the continuity of the Yugoslav national unity and independence, and the policy of active non-alignment and self-management under the guidance of the LCY.

The theme of the Tenth Congress in 1974 was Yugoslavia's refound unity after the outburst of virulent nationalism in Croatia and Serbia. This led to a purge throughout financial, intellectual and Party circles followed by a tightening up of Party control, on the one hand and, on the other, elaboration of a new constitution promising greater devolution of powers to the six republics, two autonomous provinces, local communities and work-places on the other.

The guiding principle was that of "self-management pluralism," elaborated by the Party's principal ideologist, Mr. Edward Kardelj, the 68-year-old Slovenian ex-partisan schoolteacher and close confidant of Tito.

The main task of the LCY over the intervening four years has been to streamline its own organisation, rejuvenate its cadres and indoctrinate every-body in the art of managing their own economic and social activities on various levels within the overall framework of a one-party system. This is the theme of the Eleventh Congress.

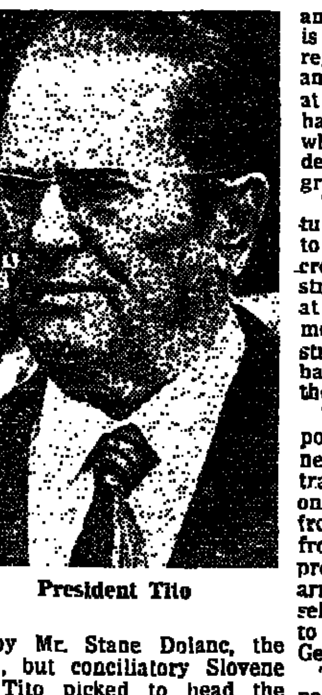
On an ideological level, the development of the self-management idea has been the principal way in which Yugoslavia has distanced itself from what it sees as the inflexible, authoritarian brand of "Management Socialism" practised wherever Soviet "great power hegemonistic pretensions" prevail.

But the development of the principles as expressed in the new constitution and avalanche of new laws passed over the last four years, has given the LCY a very challenging task.

Because of the very diversity of Yugoslavia, with its six different nations, 18 ethnic and linguistic minorities, its turbulent past and the Communist Party's basic loyalty to its Marxist-Leninist inspiration it is official dogma that Yugoslavia must remain a one-party state. Allowing a multi-party system, the dogma runs, would inevitably lead to the formation of parties on national, ethnic or religious lines which would in a short time split Yugoslavia into its myriad component parts and leave the country a defenceless prey to foreign intervention.

However, having predicated the continuing existence of prosperous independent and peaceful Yugoslavia on the continuing existence of a one-party state, the Party is now seeking to make this rule as democratic and as responsive as possible.

Reorganisation of the Party over the last six years has been



President Tito

led by Mr. Stane Dolanc, the tough, but conciliatory Slovene who Tito picked to head the Party organisation in 1972.

Over 700,000 new Party members have been enrolled since the last Congress and of the 1,630,000 LCY members some 70 per cent are said to be under 27 years of age.

At the top levels of the Party however, both in the republics and provinces and in Belgrade, it is continuity which wins over rejuvenation. All the republican and provincial secretaries remain at their post, except the Bosnian hard-liner, Mr. Branko Mikulic who will be elected to the presidency of the LCY at the Congress.

The top decision-making structure of the Party furthermore is to be substantially modified to create a more compact, and streamlined executive body while at the same time opening up a more active role for the 166 strong Central Committee which has met very infrequently since the last Congress.

Taking its place as the top policy-making body will be a new-look Presidency of the Central Committee, composed of only 24 people—three leaders from each of the republics, two from each of the autonomous provinces, on representing the army, plus President Tito himself Mr. Stane Dolanc is expected to be confirmed as Secretary-General of the new Presidency.

This is all part of the overall policy of improving the efficiency and strengthening the cohesion of the collective leadership with an eye on continuity in the post-Tito period.

At the same time, however, the Party has revised the concept of democratic centralism in an attempt to ensure flexible discussion within the Party.

The theory is that the Party should be considered an integral part of society rather than something above and outside issuing directives and instructions to it.

Mr. Dolanc has been the advocate of a highly articulated cell-structure and this has been carried into effect so that of the 42,460 party sections, three-quarters are composed of less than 50 members.

It is to ensure that this process has the desired effect that the principle of "Democratic centralism" has been modified. Henceforth, although minorities will still not be allowed to organise themselves into factions, let alone separate parties they will be allowed to carry on the debate within the party even after the point when a vote has been taken and they constitute a minority. They will still be obliged to carry out the policy decided by the majority but will not have to pretend they agree with it and may continue to insist —but only within the party organisations—that it is wrong and should be changed.

While accepting this increase in inner party democracy, however, the party leadership continues to warn against three major ideological heresies. These are "liberalism, state interventionism and bureaucratism." Party members are urged to stay on the broad centre path.

AMERICAN NEWS

Food prices in Canada rise 3.3% during May

By Victor Mackie

OTTAWA, June 15.

CANADA'S HIGHEST food price increases in 25 years helped push the cost of living up 1.4 per cent in May, the Government's statistics branch has reported, causing an uproar in the House of Commons.

The Federal Agency said food prices soared in May by 3.3 per cent, led by beef and imported fresh vegetables such as tomatoes and lettuces.

The 12-month inflation rate in May was 9 per cent, the highest since last December.

Prices of beef, the largest meat item for most consumers, rose by 10.5 per cent in the month and were 52.5 per cent higher than a year earlier. Beef prices have been depressed in recent years because of over-supplying, according to producers.

The jump in food prices accounted for about 70 per cent of the overall increase in the cost of living. The 1.4 per cent rise in the overall cost of living was the highest since July 1975, before mandatory wage and price controls were brought in by the Canadian Government in October of that year. Food prices are largely uncontrolled by the programme which the Government started dismantling in April.

The consumer price index stood at 173.6 in May compared with 171.2 in April and 159.2 in May, 1977.

M. Jean Chretien, the Finance Minister, told the Commons he was "disappointed" over the rise in the inflation rate but declared he has no intention of reimposing wage and price controls. M. Pierre Trudeau, the Prime Minister, said he "sympathised" with those who had to pay the higher prices but said there would be no change in Government policies.

Opposition members attacked the Government for the failure of its anti-inflation policies, pointing out that during the first five months of 1978, the inflation rate was higher than it was before the controls programme was introduced.

"What has gone wrong?" Mr. Joe Clark, the Opposition leader, asked. "The job of the Finance Minister is not to come into this House and express disappointment. The job of the Minister is to come here and voice policy when it is clear that his policy is failing."

U.S. Steel gives no guarantee to freeze prices

BY STEWART FLEMING

NEW YORK, June 15.

U.S. STEEL, the largest steel company in the nation, is to raise steel prices by 3 per cent from July 30. But unlike some major competitors it is refusing to make any commitments not to increase prices again later this year.

On the contrary, the company's chairman, Mr. Edgar Speer, in a statement isused with the pricing announcement questioned the philosophy behind efforts by the Carter Administration to hold down steel prices.

Mr. Speer said that: "With the steel market on the upswing our Government is now urging that we forgo the profits we need in order to keep our steel manufacturing facilities modern and efficient. The real need in the American steel industry is for improved productivity. Keeping the steel industry from earning adequate profits today will only create greater inflation in the longer time frame."

Mr. Speer's remarks undoubtedly reflect the view of many top steel industry executives. They feel that partly because of unfair foreign competition, and partly because of Government pressure to hold prices down, the industry has not been allowed to earn an adequate investment return.

On Monday Bethlehem Steel, the second biggest steel company, announced a 3 per cent steel price increase but promised that barring "unforeseen circumstances" it would not raise prices again in 1978. Bethlehem Steel's qualified commitment was hailed by the Carter Administration as "a major breakthrough" for its anti-inflation policy.

In the wake of the Bethlehem Steel announcement, which brought steel price increases this year to 9.8 per cent, Mr. Strauss said that the 3 per cent rise was "precisely" the level of increase he was looking for.

Last year, list prices for steel rose by 8.5 per cent. But the administration is discounting an increase of 1.3 per cent earlier this year on the grounds that it was to compensate the industry for the high cost of the coal industry wage settlement.

Backing in Congress for New York aid

BY JOHN WYLES

NEW YORK, June 15.

NEW YORK CITY appeared today to have won enough Congressional support to secure the plan to provide it with long-term federal loan guarantees, although the extent of Government aid may eventually be less than was originally sought.

Following hearings last week and this, influential opinion on the Senate Banking Committee has shifted from opposing any Government help to avoid the bankruptcy of New York to an acceptance of its requirement for long-term guarantees. However, the compromise which now looks certain to emerge from the committee will provide $1.5bn. guarantees for up to 15 years instead of the $2bn which the city sought and which the House of Representatives approved.

Senator William Proxmire, the committee's chairman, predicted this morning that both his committee and the Senate would back a guarantee programme although he personally remained opposed. Later, the committee approved an amendment which limits the guarantees to $1.5bn parcelled out in units of $500m in 1979 and 1980 and $250m in 1981. The remaining $250m would be available provided the city achieved its aim of a genuinely balanced budget by 1982.

The committee will hedge this aid with further restrictions by giving either House of Congress the right to withdraw the second $500m if it thought the city was not meeting its financial goals.

New York lobbyists would certainly work to defeat this proposal because of the difficulties it might create in persuading investors to loan their money. Moreover, only $1.5bn of guarantees will mean that the city will have to cut back on its plan to spend $4.5bn on capital projects over the next four years. In addition, its capacity to raise short-term loans with the help of the guarantees will also be impaired.

PERU'S GENERALS ABANDON POWER

A grim legacy for the civilians

BY HUGH O'SHAUGHNESSY

Gen. Morales Bermudez

ONE DID not have to be a football fan to be mesmerised by the screening on television of the World Cup match between Peru and Brazil on Wednesday. The five-second advertising spots which flashed on the screen at every lull were a fascinating mixture of exhortion to buy soup mixes and soft drinks, and invitations to vote for revolutionary socialism or right-wing nationalism.

The parties were making their final pitches for support in Sunday's election to choose 100 members of a constituent assembly who are to smooth the transition from military to civil government by 1980. And after nearly 10 years of military rule Peruvian voters are, according to the forecasts, preparing to replace them by a group of politicians of the centre-right.

Somewhere during the past decade Peru's military rulers lost their way. When the army seized power in 1968 and General Juan Velasco became President, he introduced radical social and economic reforms which previous civilian governments had been unwilling or unable to push through. For a number of years it looked as if he would be the man to modernise and strengthen a ramshackle and antiquated society where millions of country people were living in conditions tantamount to serfdom, and where the gap between rich and poor was so great that a large part of the population scarcely entered the money economy.

But by the mid-1970s tiredness, illness and the best efforts of his many opponents in Peru and abroad, notably in the United States, had sapped Gen. Velasco's energy, and he was overthrown in August 1975 in a bloodless coup by his Prime Minister, General Francisco Morales Bermudez.

Where Gen. Velasco led by the sheer force of his personality, the more cautious Gen. Morales sought to compromise and rule by concensus. The impetus for reform was lost and Gen. Morales's problems were made increasingly acute by a combination of rising import bills, falling export receipts, and bills incurred during Gen. Valesco's time which began to be presented for payment. As the cost of oil imports rose, the price of Peru's copper exports fell and fishmeal production collapsed as the shoals of fish off Peru's coasts disappeared.

As a very grave balance of payments crisis piled up last year which the military alone had no method of dealing with successfully, Gen. Morales decreed that elections for a 100-man constituent assembly, which would draw up a new constitution, should be held this month. General elections would be held by 1980.

Since the middle of last year, Gen. Morales has been increasingly storm-tossed. The conditions set by the International Monetary Fund for its help were severe and the Fund earlier this year refused to disburse promised cash, claiming that the Government had not kept to the agreement both parties signed in November.

Earlier this year the Central Reserve Bank's foreign currency ran out, and for some months now Peru has been in default on its foreign obligations in all but name. Inflation, which was officially put at 32 per cent last year, has been 34 per cent already this year. The foreign exchange crisis has been the signal for Gen. Morales to be subjected to a massive squeeze.

Abroad the Chase Manhattan Bank has told the Government that foreign financial assistance will be halted unless special legislation is passed immediately to safeguard bank interests on loans made for the very large Cuajoney copper mining project. At home Right-wing extremists, particularly in the army and the navy, have succeeded in getting a crack-down on Left-wing political activity.

Behind Gen. Morales there is a group of officers who would be only too happy to force through the sort of policies General Pinochet and General Videla have been adopting in Chile and Argentina, and some foreign lenders have been expressing eagernes for these officers to come to power.

The Right, sensing the strength of its hand, has played it with vigour so that Gen. Morales has thought it expedient to introduce cuts in public spending affecting the standard of living of the poorest Peruvians, of an extent which even the Fund itself was not demanding. At the same time the Right, civilian and military, has expressed no great enthusiasm for tightening up Peru's lax taxation system or for cutbacks on prerequities for senior officers.

While the Government has cut subsidies on basic foodstuffs, making the struggle for survival by the poorest Peruvians chancier than ever, senior officers continue, for instance, to have the right to a full-time chauffeur, 90 gallons of free petrol a month and similar privileges.

It was hardly surprising, therefore, that the general strike called at the end of last month by the small Peruvian Communist Party proved to have widespread support, and resulted in the effective paralysis of the country for a few days and deaths and physical damage throughout the country.

The Government responded to this challenge by deferring the elections for a fortnight, until this Sunday, and cracking down on the Left. General Leonidas Rodriguez and General Arturo Valdes, two retired officers, former associates of General Velasco and leaders of the Left-wing Revolutionary Socialist Party (PSR), are on the run in Lima.

Two former admirals, also of the PSR, were last month among a group deported to Buenos Aires.

The pressure on the Left, from the Trotskyites to the Christian Democrats, has been so great that many Left-wing leaders wanted to boycott the elections as they contended that the poll was virtually rigged in favour of the centre and the Right.

At the last moment, swayed by the arguments of the Peruvian Communist Party, as always anxious to exercise what limited freedom of action is given to it, the Left decided grumblingly to go to the vote.

Few observers think, however, that it will get more than a fifth of the votes cast, and the principal winners are forecast to be the Right-wing Populist APRA movement, whose lack of any clear ideology is compensated for by its devotion to its octogenarian leader, Sr. Victor Raul Haya de la Torre, and the Popular Christian Party (PPC), a right-of-centre group which is little more than a vehicle for the ambitions of Sr. Luis Bedoya Reyes, an energetic former Mayor of Lima.

Meanwhile as the voters prepare for Sunday, Gen. Morales's new Economy Minister, Sr. Javier Silva Ruege, has announced that he has put together a plan to make the economy more productive and generate more foreign exchange. At the same time he has announced that the Government is seeking a new agreement with the IMF which would supersede the old one. On Wednesday night, he confessed that Peru's foreign obligations have so piled up that the public sector obligations, not to mention the debt owed abroad by the private sector, would be consuming 60 per cent of the country's export earnings, making relief imperative.

The civilians who will start to take over the country next week will therefore be faced with daunting prospects—in particular, the collapse of the country's finances and the spectre of some Peruvian Pinochet stalking in the wings.

Violence ahead of Carter visit

WASHINGTON, June 15.

U.S. OFFICIALS studying reports of overnight violence in Panama in which two people died said today they were confident about security arrangements for President Carter's scheduled visit to Panama City tomorrow.

A White House spokesman said there was no change in the President's plan to spend two days in Panama, where he and the Panamanian leader, General Omar Torrijos, are to complete the ratification of the two new Panama Canal treaties.

The treaties, transferring control of the waterway to Panama in the year 2000, are highly controversial in Panama as well as in the United States.

Reuter

Industrial output climbs

BY JUREK MARTIN

WASHINGTON, June 15.

INDUSTRIAL PRODUCTION in the U.S. rose by [illegible] per cent last month, according to statistics issued today by the Federal Reserve.

This is appreciably less than the 1.2 and [illegible] per cent advances recorded in March and April respectively. But in those months the economy was picking itself up after the damaging effects of both the coal strike and the severe winter.

The May figures would have been appreciably higher but for a 4 per cent drop in car production in the month. This meant that the section of the index devoted to consumer durables actually fell by 0.9 per cent, after having risen very sharply in each of the three previous months.

Another report released this morning by the Commerce Department, suggests that some of the slower increase in industrial production stemmed from slower inventory accumulation by businesses.

This report covers the month of April and showed the inventory-sales ratio at its relatively lowest levels in 27 years. Although some more pessimistic analysts have suggested that this demonstrates the underlying corporate uncertainty about the future of the economy, Administration officials were more inclined to note that the decline in inventories had to be matched against a sharp 3 per cent plus surge in final sales in April.

Brazil oil demand up 13%

BY DIANA SMITH

RIO DE JANEIRO, June 15.

BRAZIL IS consuming more than 1m barrels of oil a day after averaging 992,000 barrels a day in 1977.

This means there will be a review of the 1978 oil import budget, which was forecast at $3.7bn fob (more than 30 per cent of all imports) because domestic oil wells are only yielding 169,000 barrels a day, or less. The authorities had hoped for an average of 175,000 b/d, and the Government is averse to cutting into its 52m barrels reserve for national security reasons.

Secondly, a 13.8 per cent rise in fuel oil consumption in May this year, compared with May 1977, means predictions that 1978 would be a quiet year for Brazilian industry have been confounded.

Thirdly, the private motorist, it seems, no longer pays attention to the Government's pleas to save fuel. Not only does he ignore radar traps and generally travel at high speeds, overcome long closing hours at filling stations, and ignore media campaigns aimed at making him slow down and use less petrol, he has caused a boom for the car industry.

U.S. COMPANY NEWS

Petro-Canada and Occidental raise bids for Husky; Northwest Airlines strike in eighth weeks; Hardee's seeks injunction against IC Industries, page 28

OVERSEAS NEWS

PLO chief in Kuwait shot dead

KUWAIT, June 15

ALI YASIN, the Palestine Liberation Organisation (PLO) representative in Kuwait, was shot dead outside his home this morning.

An official statement broadcast by Kuwait Radio said Mr. Yasin, who was considered a moderate Palestinian, was killed by a pistol. Officials said this seemed to indicate that Mr. Yasin, who was in his mid-40's, had been murdered by a lone assassin.

Informed sources said Mr. Yasin was shot when he answered the door bell at his home this morning. He had lived in Kuwait for more than 13 years, the last six of them as PLO chief.

Kuwait Radio broadcast an official statement saying Mr. Yasin's body was found in front of his home at 11.30 local time. The Interior Minister, Sheikh Nawaf al-Ahmed al-Sabah, and senior officials hurried to Mr. Yasin's home to supervise investigations, the radio said.

Palestinians make up nearly a third of Kuwait's population of about one million people, but this was the first political murder among Palestinians there, residents said. Fatah is the dominant group among Palestinians in all the Gulf states.

In January, the PLO's representative in Britain, Said Hammami, 36, was shot dead in his *London office. Representatives of the PLO in Paris, Rome and Nicosia have also been assassinated in recent years.* Reuter

Begin resignation threat over W. Bank, Gaza Strip

BY DAVID LENNON

TEL AVIV, June 15.

THE DIVISIONS within the Israeli Cabinet over the future of the West Bank and Gaza Strip have given rise to speculation that Mr. Menahem Begin, the Prime Minister, may consider resigning if he finds himself in the minority.

There have been intense negotiations between Cabinet ministers in the past few days to try to reach a compromise on how to reply to U.S. questions about the future of the occupied territories.

Mr. Begin said today that reports that he may have to "draw personal conclusions" if he is outvoted in the Cabinet were purely speculative.

The Prime Minister's aides did confirm that Mr. Begin is not prepared to accept any proposal which goes beyond his offer to "review" the situation after five years of limited self-rule for the Palestinians of the West Bank and Gaza Strip.

However, the U.S. Administration has asked Israel if it will undertake to decide the "final status" of the occupied territories after the five years of self-rule.

The Cabinet has held two debates on this question so far, but instead of producing an agreed position, three possible answers have emerged.

The most support was given to the proposal put forward by Mr. Ezer Weizman, the Defence Minister, that the Cabinet should tell Washington that Israel was prepared to decide on the final status of the West Bank and Gaza Strip in five years time.

Ministers regarded this as having the attraction of both replying positively to the U.S. and leaving open the details. There was much less support for the proposal of Mr. Moshe Dayan, the Foreign Minister, that Israel should offer to negotiate some of the final details now rather than wait five years.

The Prime Minister found himself in a minority with only four ministers supporting his view that there was no need to change the original proposals of a review after five years.

Feudal war looms in north Lebanon

BY IHSAN HIJAZI

THE Phalange Party, Lebanon's largest Christian paramilitary organisation, warned today it will use force to protect its members against threatened vengeance and reprisals in wake of the murder two days ago of deputy Tony Franjieh.

The party's daily organ, Al Amal, said information had been conveyed to the party about reprisals being planned against "our comrades and members of our families."

It did not name the persons making the threats. Cries for vengeance against the Phalangists and their leader Pierre Gemayel were made at the funeral yesterday in the northern town of Zgharta of Mr. Franjieh—son of the former President—and 32 others, including his wife and daughter.

They were all killed when militiamen of the Phalange Party on Tuesday attacked the town of Ehden about 80 miles northeast of Beirut and the Franjieh residence there.

The friction had started over reported attempts by the Phalange Party to move its influence to the christian north, which the Franjiehs regard as their fief.

The Phalange militia, said to number 10,000, were reported to have been placed in alert after an emergency meeting by the party's politbureau under Mr. Gemayel yesterday.

Palestinian guerrilla leader Yassir Arafat has linked the events in the north with developments in Southern Lebanon. Addressing a Palestinian rally here last night, he claimed Mr. Franjieh was assassinated because he had refused to co-operate with the Israelis.

Christian militias in the south who have the support of the Phalange Party and the National Liberal Party of Mr. Camille Chamoun have established an alliance with the Israelis.

S. Arabia orders more floggings

Two more Britons have been sentenced to a public beating in a Saudi Arabian market-place for supplying alcohol to Arabs, a Foreign Office diplomat said yesterday, the Press Association reports. One of the men was sentenced to two years' jail and 200 strokes of the cane, the other to 18 months' jail and 150 strokes.

Altogether seven men are believed to be facing similar charges in Saudi Arabia. The Foreign Secretary, Dr. David Owen, is understood to have ordered a strong protest to the Saudis over the earlier canings of two Britons for making and distributing alcohol.

Yen rises further

The yen rose sharply against the dollar on the Tokyo foreign exchange market yesterday, closing at a record Y215.40, Charles Smith reports from Tokyo. The rise reflects a conviction that Japan's payments position is likely to remain strong, at least up to the time for the Bonn summit. The "hands-off" policy of the Bank of Japan, which for the time being seems to be refraining from heavy intervention in the market, has also been a significant factor.

The yen has now gained nearly four points against the dollar since the start of the week. It is expected to continue its rise during the next few days unless Japan's May customs clearance trade figures, due to be released tomorrow, show a contraction of the surplus on visible trade.

Burmah's India talks

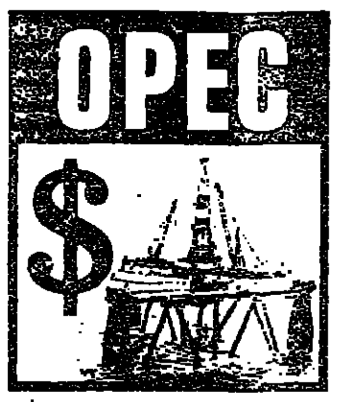
Representatives of Burmah Oil arrive in New Delhi for what is expected to be the final round of talks on the Government's takeover of Oil India, the exploration company in which Burmah and the Indian Government have a 50-50 share, K. K. Sharma reports. The talks have been prolonged mainly because compensation to Burmah has been tied up with the liabilities of Burmah's Assam Oil Company, which operates a small refinery in Digboi.

Sudan directives

The Sudanese Government has issued a number of directives aimed at forestalling runaway inflation following last week's devaluation of the Sudanese pound and in anticipation of next month's Government salary increases, Alan Darby reports from Khartoum. Provincial secretaries of the Sudanese Socialist Union have been ordered "to uproot the greedy activities of black marketeers," police have been instructed to combat violators of price rules, and the retail price of some imported cigarettes has been officially fixed. There are fears that merchants will use the devaluation and pay rises to raise prices considerably.

OPEC divided over oil price increases

BY RICHARD JOHNS



THE ORGANISATION of Petroleum Exporting Countries (OPEC) begins its regular summer ministerial conference in Geneva tomorrow, with its spirit of solidarity somewhat restored by the informal get together held in Taif on May 6-7. But its members are still divided — and the price militants among them are very perplexed — over what can or should be done to compensate producers for the continuing erosion in the value of their oil revenues.

A continuation of the freeze in force at the beginning of the year until its end seems almost inevitable — if only because Saudi Arabia has said that it will go on until 1979 and Iran is also in favour. The lesson of the last ordinary meeting in Caracas nearly six months ago is clear. Saudi Arabia and Iran, the two largest producers in the club, accounting for some 45 per cent of total OPEC output last year, have the weight to dictate to other members.

It is an unpalatable fact that other members feeling the revenue pinch must learn to live with it however much they protest. Undoubtedly, they will protest this weekend. Their concern about the drop in their purchasing power, especially through the depreciation of the dollar, is justified.

Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, has himself acknowledged the contention of the "hawks" that the price of oil in real terms is almost back to the level it was at the end of 1973 before it was more than doubled. Since then, a recent study by Morgan Guaranty calculates buying power of OPEC members from per barrel revenue on a trade-weighted basis has declined by 10 per cent. Taking a more recent time span, OPEC has calculated that the depreciation of the dollar, the unit of account for oil, has declined 16.7 per cent on a trade-weighted basis from the beginning of 1977.

It was then that members last raised prices by 10 per cent with the exception of Saudi Arabia and the United Arab Emirates which came into line in the middle of 1977 after an inconclusive six-month attempt by the kingdom to use its spare capacity to force down the average price on the market.

Yet the tension rose again at the Caracas conference with the militants charging that Saudi Arabia and Iran were influenced by "political considerations"—implicitly alleging that their moderation was dictated by a desire to satisfy the U.S. Since then an even stronger head of steam in the ranks of the "hawks" has built up because of the depreciation of the dollar. Having started a recovery before the Taif meeting, it has subsequently slipped.

Although the "informal" conference at Taif was called to discuss long-term OPEC strategy on pricing and production policy inevitably Algeria, Libya and Iraq pressed for talks on immediate remedial action. In the event the host country—backed notably by Iran, Venezuela and Kuwait—had its way in insisting that the proceedings should concentrate on broader, longer-term perspectives.

The real argument will take place in Geneva this weekend. However, quite apart from the decisive weight of Saudi Arabia and Iran, frustration and anger on the part of the militants could prove impotent as it did in Caracas. The "hawks" are well aware that because of the continuing oil glut there can be no significant increase in the price of oil either in nominal or real terms.

Because of the world oil glut it is probable that oil prices will remain pegged until the end of the year. But oil price "hawks" point out that the erosion of the dollar has reduced their real income to the level it was at before oil prices were doubled.

OPEC, as Sheikh Yamani put it at Taif, has entered a "new era." In 1973 the producers finally asserted the power to set prices themselves. It was a development made possible as much as anything by strong demand for oil in the early 1970s. The industry, however, is not going through a transitional phase characterised by an OPEC surplus—estimated now at about 2m barrels a day or about 7 per cent of current OPEC output—and unused capacity.

Having seen their production rise only marginally by 1.5 per cent in 1977 and fall by 8 per cent in the first quarter of 1978 compared with the same period of last year. All the members, of course, are acutely conscious of the situation, even if the militants are reluctant to accept the implications.

At Taif there was an uncharacteristically open acceptance by the Iraqi and Libyan ministers that market conditions were such as to make any significant price increases impossible. Mr. Izzedin Mabrouk, Libyan Minister of Oil, even expressed the view that not until the end of 1979 would market conditions justify a rise in real terms—which also happened to be Sheikh Yamani's "guess."

Nevertheless, anger bubbled up and especially bitter resentment was expressed by the Algerian delegation. Mr. Tayih Abdel Karim, Iraq's Minister of Oil, has given notice that it will press for an increase at Geneva. Libya will do the same. In a more sombre appreciation of the predicament of OPEC, whose essential raison d'etre is the preservation of revenue values, Algeria has issued a sombre and considered statement deploring its failure to fulfil this aim but without explaining how a substantial increase could be maintained.

All members know that the only way to firm up prices during a period of surplus is for OPEC to produce less. Individual countries like Venezuela, Kuwait and the UAE are imposing limits on their output for reasons of conservation. Yet a coherent production programme depends on Saudi Arabia, "the swing-supplier," which is implacably opposed to any interference in its autonomy to decide its own levels.

In this situation the militants see in the decision at Taif to establish a six-member committee to study the role and policy of OPEC in the next decade as a device to forestall meaningful discussion of price maintenance for a year, by when the market should have recovered, even though Iraq and Algeria are members of the new entity.

In pursuing the policy of price restraint since 1974 Saudi Arabia has always had to consider the interests of fellow producers. It has also felt embarrassment at being the sole defender of Western interests though in this respect it is now fortified by Iran. In April Crown Prince Fahd, final arbiter of Saudi oil policy, referred to "risks with regard to OPEC" taken by the Kingdom. A month ago it seemed that Saudi Arabia might be prepared to concede an increase of up to 5 per cent to placate or appease the "hawks."

This now seems unlikely following Sheikh Yamani's unqualified and categorical assertion to the effect that the OPEC price would remain frozen until 1979 when there would be a "50:50" chance of an increase justified by market conditions. The statement appeared to brook no argument and seemed to preclude any possibility of compromise. Acute strains within OPEC, which were eased by the Taif meeting, will probably be felt again in Geneva. But despite some indications of demand for oil firming up, Saudi Arabia and Iran will be able to argue for a freeze on the basis of market realities rather than the need to aid world economic recovery—even if the two are inextricably linked.

S. African Information Ministry disbanded

BY QUENTIN PEEL

JOHANNESBURG, June 15.

THE SOUTH AFRICAN Department of Information, the centre of a controversy over a slush fund for secret propaganda activities and the extravagant spending of its senior officials, is to be disbanded. And Dr. Eschel Rhoodie, the Secretary for Information, is to resign.

Announcing this in Parliament today Mr. John Vorster, the Prime Minister, said the department would be replaced by a Bureau for National and International Communication, which would remain the responsibility of Dr. Connie Mulder, the Minister of Information. The secret activities of the department are to be investigated by General Hendrik van den Bergh, head of the Bureau of State Security (BOSS), to decide which should be continued, and under which departments.

Mr. Vorster's announcement, his second direct intervention in the affair, follows the publication of a third parliamentary report on the activities of the Information Department, charging Dr. Rhoodie with disregarding civil service accounting regulations. It also revealed that his brother, Dr. Deneys Rhoodie, who was deputy head of the department but has since resigned, had wrongly claimed public funds for travel by his wife and family.

As on the previous occasion, when he announced an investigation into the department's spending of secret funds, Mr. Vorster has intervened just ahead of a parliamentary debate, clearly intending to defuse some of the Opposition's criticism. His move will also take some of the heat out of the attack on Dr. Mulder, whose resignation the opposition has demanded.

Mr. Vorster said Dr. Rhoodie was resigning at his own request, but that he might be re-employed on contract to assist General van den Bergh in his investigation.

The significance of the affair relates both to the unorthodox activities of the Information Department, which were largely the brainchild of Dr. Eschel Rhoodie, and to the standing of Dr. Mulder, formerly considered the heir apparent to Mr. Vorster as Prime Minister. It also concerns the authority of parliament, for Dr. Rhoodie's secret fund was never authorised by the legislature.

Dr. Rhoodie has persistently refused to reveal what activities were financed by the secret fund although subsidies for purportedly independent publications, undercover lobbying of foreign politicians, unofficial diplomatic missions, and buying the services of foreign journalists, have all been mentioned in local newspaper investigations.

Dr. Mulder's standing has undoubtedly been damaged by the affair, for Dr. Rhoodie was his personal appointee, and the unorthodox strategy was also partly his conception. Although there is little likelihood of his resignation—he also holds the vital portfolio of Plural Relations and Development, the department responsible for Black affairs—he has undoubtedly lost stature in the stakes for Prime Ministerial successor.

● A black ecumenical newspaper, The Voice, was banned today by the South African censors.

WORLD TRADE NEWS

Warning to EEC on Comecon debts

By Richard Evans

STRASBOURG, June 15.

THE EUROPEAN Parliament called yesterday for much sounder debt management arrangements between the Community and the Comecon countries of Eastern Europe because of the harmful effects current trading practices were having.

A resolution from the Parliament's committee on external economic relations argued that the increase in barter transactions with Eastern Europe was restricting diversity of trade and placing smaller companies at a particular disadvantage.

According to the committee this could lead to market disturbances in the Community, particularly when dumping was involved, as it jeopardised employment and distorted competition.

The resolution, accepted by the Parliament, noted that the total indebtedness of Comecon countries continued to rise although the rate at which they ran up debts had fallen in the last two years. This could place a severe strain on East-West trade.

Both the European Commission and the Council of Ministers were urged to pursue current policies more vigorously, particularly the harmonious development of trade, the application of the most favoured nation clause and liberalisation of imports.

Herr Wilhelm Haferkamp, vice-president of the Commission for External Relations urged member-states to stop looking for advantages for themselves in trade with Comecon countries. He accused some Community countries of indulging in a race to give hand-outs. Instead, there must be a unified Community policy on trade and this would continue to be the aim of the Commission.

Herr Manfred Schmidt (Socialist W. Germany), moving the resolution, complained that exports from the Community to Comecon countries had hardly increased at all in 1976 whereas imports had grown considerably.

Mr. James Spicer, Conservative MP for Dorset W pointed out that the Comecon countries knew they could rely on the EEC when there was a gap in their economy, and in the present state of re-assessment they were able to play EEC stakes off against one another to get a better deal.

Lord Brimelow, a Socialist peer and former permanent secretary to the Foreign Office, argued that Comecon countries tended to plan their economy so that they depended as far as they could on their own resources. Foreign trade tended to be residual and to grow in step with their own economies.

Chinese to see armaments

By Lynton McLain

CHINESE DEFENCE officials are to visit the British army equipment exhibition at Aldershot on Monday at the invitation of the Government.

The six-man delegation under Mr. Tang Chung-Wen, deputy chief adviser to the Northern Industrial Company, China, will also visit the British army mobility and firepower demonstration at Bovington and Lulworth, the Ministry of Defence said last night.

The visits are the first official defence visits by a Chinese delegation and come after the visit to China by Marshall of the Royal Air Force, Sir Neil Cameron at the end of April. There is speculation that the Chinese will be shown a vertical take-off demonstration by Britain's Harrier jump-jet.

The delegates will tour stands of British defence equipment manufacturers at the exhibition and will later visit a number of defence factories.

Riccar to set up subsidiary in Britain

By Charles Smith

TOKYO, June 15.

A JAPANESE sewing machine manufacturer, Riccar, has announced plans to establish a £100,000 sales subsidiary at Abingdon, Oxford. The company will aim to build up Riccar's exports to the UK to 10,000 units per year in three years, about half the current level of its exports to West Germany.

Riccar already has six overseas sales companies although exports represent a fairly small ratio of its turnover.

The UK sewing machine market is estimated here to run to about 400,000 units per year of which 300,000 are imported.

U.S. technology for Bosch car ignitions

Fairchild Camera and Instrument Corporation said it signed an agreement with Robert Bosch of Stuttgart relating to the transfer of technology for solid-state automotive ignition systems.

The agreement initially extends over five years and calls for Fairchild to provide its technology and know-how to Bosch for use in manufacturing electronic ignition systems. In addition Fairchild will supply components, subassemblies and solid-state modules to Bosch. AP-DJ

OECD urged to tighten up joint export credit rules

BY ROBERT MAUTHNER

PARIS, June 15.

THE U.S. today put strong pressure on its OECD partners to adopt tougher joint rules for export credits, which would limit Government aid to exporting companies.

The aid given by the British Government to finance the Rolls-Royce engines for the Lockheed TriStar airliner was singled out by Mr. Michael Blumenthal, the U.S. Treasury Secretary, as a particular example of the type of practice which violated the OECD standards of conduct.

Mr. Blumenthal, who was attending the annual meeting of OECD Ministers here, told journalists that there were some big loopholes in the new credit export guidelines adopted by member countries earlier this year.

One of the biggest shortcomings was that the present arrangements did not include aircraft, nuclear power plants and ships. Second, the U.S. wanted situations in which there was a mixing of aid and export credits to be clarified.

And third, the U.S. also wanted to make sure that the size of the subsidy provided in export financing, given various kinds of interest rates from private and public sources, was also clearly identified.

Referring specifically to the Rolls-Royce deal, the U.S. Treasury Secretary said that American producers felt strongly that the publicly supported credits given in the UK went beyond the understanding in the OECD guidelines.

Since the U.S. did not have similar arrangements, the pressures on the Administration to change its policies, particularly from Congress, were severe. But the Administration believed that any modification of its attitude in this field would be an unfortunate development from the point of view of free trade.

The British Government's position was succinctly put by Mr. Edmund Dell, the Secretary of State for Trade. "We have always taken the view that one can match other people's offers," he said today. "That is what was done in the case of the Rolls-Royce deal and there was nothing inappropriate in such a procedure."

The new OECD guidelines, which came into effect on April 1 this year, are applicable to officially supported export credits with a repayment term of two years or more. The basic terms are:

● Minimum cash payments of 15 per cent, whatever the destination of the exports.

● A maximum repayment period of from 5 to 10 years depending on which of three groups the country of destination falls into: rich, intermediate or poor.

● A minimum interest rate of 7.25 to 8 per cent, depending again upon the country of destination and also the repayment period.

The arrangements cover all exports with the exception of military equipment and agricultural commodities. Certain other exports such as power stations, aircraft, most sea-going ships and ground satellite communication stations are subject to special treatment.

● Leading trade negotiators from the U.S., EEC, Japan and Canada are to meet in Washington on Sunday for three days of talks to try and resolve some of the key issues still outstanding in the Tokyo Round of the multilateral trade negotiations. The U.S. will be represented by Mr. Robert Straus, Special Trade Representative, the EEC by Herr Wilhelm Haferkamp, Commissioner for External Relations, Japan by Mr. Nobuhiko Ushiba, Minister for External Economic Affairs, and Canada by Mr. Jack Warren, Co-ordinator for the Multilateral Trade Negotiations.

Japan's 'oligopolistic car trade' is a non-tariff import barrier

BY CHARLES SMITH

TOKYO, June 15.

THE JAPANESE FAIR Trade Commission, which acts as the guardian of Japan's anti-monopoly law, is starting to investigate alleged "oligopolistic practices" in the Japanese car distribution system, says its chairman, Mr. Osamu Hashiguchi.

Mr. Hashiguchi says a preliminary survey had shown the prevalence of "questionable practices" in car retailing. The Commission has its eye in particular on the degree of control exercised by car manufacturers over dealers in such matters as the setting-up of sales targets, deferred payments arrangements, price cuts, and the settlement of accounts.

The FTC's concern appears to be that motor manufacturers may be using their influence over their dealer networks to prevent price competition in the industry—a point of view which receives support from the extremely profitable record of the Japanese motor industry in recent years. (Toyota was the number one corporate earner in Japan during the 12 months ending last March). The tight control exercised by Japanese car manufacturers over their distribution outlets also helps to explain why foreign cars have not penetrated the Japanese market more successfully. Putting together an effective dealer network has proved to be one of the most difficult tasks for would-be car importers.

Leading motor manufacturers to-day claimed that the industry is not monopolistic, according to criteria set by the FTC—in that Nissan and Toyota, the top two companies in the industry, have a combined market share of less than 65 per cent (whereas the FTC defines a 75 per cent market share by two firms as monopolistic).

A Toyota spokesman said that the Japanese industry was less monopolitic than the U.S. industry, where GM and Ford between them account for over 75 per cent of total sales. This comment, however, appears to miss the point of the FTC enquiry, which relates to the influence exercised by motor manufacturers over their dealers.

Toyota Motor Sales Company, the marketing "twin" of the Toyota Motor Company, sells its cars through 250 dealers of which only 20 are directly controlled by Toyota itself. The company however engages in "management consultation" with dealers. More important, Toyota acts as financier to its dealer network, supplementing the more normal financing function of commercial banks. Toyota says its dealers turn to it "rather often" for long term loans which can be used for operating funds or to finance capital investment. Outstanding loans to dealers with repayment periods of one year or more are currently worth Y35.8bn, the company says.

Nissan Motor, the number two company in the industry, has 271 dealers and operates a "seven channel" system according to which different product lines are sold through separate outlets each with its own franchise area. Nissan says it maintains an equity stake ranging from 20 to 100 per cent in an unspecified number of its dealers. The exact details and the number of dealers partially or wholly controlled is confidential.

Nissan provides management and sales personnel to its dealers in proportion to its capital participation. Its long term loans to dealers are believed to be comparable to those extended by Toyota although this information, too, is classified. Honda Motor Company operates no fewer than 2,350 dealers throughout Japan, although its market share is well below that of either Nissan or Toyota. Forty-six are directly controlled; but others are acknowledged to receive financial support.

Kawasaki-ETPM joint venture

BY CHARLES SMITH

TOKYO, June 15.

KAWASAKI STEEL Corporation has reached agreement with Entrepose GTM Pour les Travaux Patroliers Maritimes (ETPM) on an exchange of know-how and a joint tendering system which will allow it to gain access to the fast-growing world market for offshore oil-drilling platforms.

Under the agreement, Kawasaki will use the French company's technology to build platforms at a new fabrication centre to be built near Kobe in south-west Japan. The two companies will bid jointly for platform contracts in the Pacific region and in Alaska or, in some cases, will give each "first refusal" as subcontractors. In the latter case Kawasaki will generally undertake construction of platforms while ETPM will look after installation.

From ETPM's point of view the tie-up gives it a manufacturing foothold in the Far East. The company established a sales office in Singapore last year but has been handicapped in its efforts to enter the Far East market by the fact that its platforms have to be built at bases as far afield as the Middle East (where ETPM has two fabrication centres), the UK, or West Africa.

Kawasaki is interested in the platform construction business as a means of diversifying out of basic steel making where growth prospects are now limited. It starts with the initial advantage that it is a major manufacturer of the heavy plate and pipes from which drilling platforms are built, but platform construction involves sophisticated techniques which Kawasaki has so far lacked.

Access to the market, which is dominated by the oil majors, also calls for marketing contacts which ETPM has established over the years but which Kawasaki does not possess. Kawasaki says ETPM is one of the top three companies in the international platform manufacturing business. One of the others, Brown and Root of the U.S., signed an agreement three years ago with another Japanese steel company, Nippon Kokkan, for the construction and operation of marine structures including oil drilling barges.

Kawasaki says negotiations with ETPM had to be preceded by discussions within the Kawasaki group itself to determine whether Kawasaki Steel Corporation or its sister company, Kawasaki Heavy Industries, would enter the platform building business. KHI and other Japanese shipbuilding companies have become interested in platform building, despite the relatively low ratio of added value involved, as their ship orders have declined. Steelmakers, however, apparently have the edge in this market since they are the source of the basic raw materials.

Kawasaki expects to build two platforms a year weighing 8,000 to 9,000 tons each at its Kobe fabrication centre. These will bring about Y5.4bn in turnover. The world market for oil platforms is currently running at about 150 platforms per year, but is expected to grow with the resumption of drilling work in many offshore areas, particularly around the Pacific.

China and Spain to sign pact

BY ANDREW WHITLEY

TEHRAN, June 15.

SPAIN AND CHINA are to sign a "framework" trade agreement during King Juan Carlos's visit, which starts tomorrow, the Spanish Foreign Minister, Sr. Marcellino Oreja, told a news conference in Tehran today. The King and his officials fly on to Peking later tonight after a brief State visit here.

The projection of the modern Spain beyond its traditional spheres of interest in Europe, the Mediterranean and the Americas, is evidently an important underlying motive for this first state visit by the Spanish monarch to the East.

Sr. Oreja said today that Spain and China needed to deepen what have until now been shallow relations between them. China was an open market for Spain to build on the present tiny trade levels, he commented.

The King of Spain is likely to be viewed by the Chinese leaders as a new member of the European Community, in effect if not yet in practice, and according to the Spanish Foreign Minister, China had welcomed the King's visit.

At a banquet last night King Juan Carlos and the Shah of Iran were able in their speeches to point out contemporary parallels between their countries, with each going through a period of transition from tight controls to throne-guided greater democracy.

Improving trade links with Iran is a particularly pressing need, Spanish officials say. Last year's trade gap was over $1bn, thanks largely to the fact that Spain buys between one-quarter and a third of its oil from this country.

The Foreign Minister said that out of Spain's total oil imports of between 40 and 45m tonnes a year, Iran provides between 11 and 12m tonnes. Spain hopes to stabilise its imports at this level, and to boost its own exports to Iran. Construction and shipbuilding were singled out as two possible fields.

As General Franco's designated heir, and, more compellingly, a member of the band of hopeful or former monarchs, the then Prince Juan Carlos got to know the Shah quite well, visiting Iran on several occasions.

In the past three years, Spain's exports to Iran have climbed rapidly from $35m to $150m in 1977, and are projected to reach $250m in the current year. A joint Ministerial commission on expanding trade has been meeting frequently.

Meanwhile, the Chinese Foreign Minister, Mr. Huang Hua, arrived in Teheran early this evening, opening up the intriguing possiblity of a three-sided meeting with his Spanish and Iranian counterparts. Mr. Huang's three-day visit to Iran was apparently set up at comparatively short notice, and forms part of the current Chinese diplomatic drive in the Persian Gulf region.

As it is several years since a senior Chinese official was in Teheran, it is considered important here. China, Iran and Spain all share a common concern over Soviet-Cuban military adventures in Africa. Informed sources say Africa, Gulf security co-operation and the recent coup in Afghanistan, which swung this pivotal central Asian country much further into Moscow's camp, will be the main subject discussed with the Chinese Foreign Minister.

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HOME NEWS

CBI to oppose reduction in working hours

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

INDUSTRIALISTS are to fire the opening shots in a campaign of total opposition to cuts in Britain's general 40-hour working week when they meet Mr. Denis Healey, Chancellor of the Exchequer, to discuss the next phase of pay policy on Tuesday.

The Confederation of British Industry is preparing a policy paper on the subject of working hours and will tell the Chancellor that accepting trade union demands for moves towards a 35-hour week would raise costs and severely damage British industry's competitiveness abroad.

Tuesday's talks will be the first between Mr. Healey and the Confederation specifically devoted to what should happen when the present phase of pay policy expires in six weeks. The industrialists will demand maximum flexibility, including provision for productivity deals, together with the abolition of the Government's pay sanctions.

Industrialists have become increasingly concerned about the implications of a 35-hour week during the past few months. This is because trade union interest in working hours has been building up to such an extent that the TUC is now preparing a policy document for its economic committee and its annual congress in the autumn.

Union leaders argue that cutting the working week would help to create jobs and so cut unemployment. But the Confederation's first draft of its own policy paper rebuts this argument and says that the far more likely result would be that existing workforces would do more overtime.

Since the unions would not agree to any wage cuts to accompany a reduction in hours, employers' unit costs would rise. Less work would be done in the shortened standard week and enhanced wage rates would have to be paid for overtime hours.

The result of the higher unit costs and a worsening of British companies 'international competitiveness could, says the Confederation's document, lead to higher rather than lower unemployment.

It suggests that recent estimates by the Department of Employment that a reduction to 35 hours a week would add up to 8½ per cent to labour costs are unrealistically low.

It also points out that agreeing a joint EEC programme for reducing hours would be of only marginal help because it would do nothing to correct the fresh problems that the UK would face in competing with countries like Japan and Korea.

Indeed, one leading industrialist commented when discussing the problem that the most useful thing the TUC could do would be to persuade its counterparts in countries like Japan to push for a 20-hour week: then British industry might be able to compete with its present 40-hour week on equal terms.

Murray Assurance, Page 10

Steel prices rising by 5% next month

BY JOHN LLOYD

THE British Steel Corporation is to increase the prices of most of its standard products by about 5 per cent from July 9.

It will also notify the Price Commission that it intends to raise the prices of its semi-finished products—like tubes, cold rolled narrow strip and wire —probably by roughly the same amount.

Meanwhile, the rise in UK steel production over the past six months was halted last month, although the trend remains upward.

The price rises are generally in line with the increases in EEC guidance prices, agreed by the Commission late on Wednesday, to take effect from July 1.

The average rises by product groups are: carbon steel billets and billet-derived products, 3-5 per cent; plates, 5 per cent; uncoated and electro-zinc coated strip mill products, 7-10 per cent; electrical sheets, 5 per cent; carbon forging ingots, 3 per cent.

The price rises include increases in the "extras"—premiums charged on size, quality or quantity variations from the standard—which have remained static for the past two years.

With the exception of flat-rolled products, the last general price increase for the remaining products was in October 1976 or last July. British Steel did not pass on an earlier increase agreed upon by the EEC, effective from April 1.

In this round, British Steel has not passed on the full increases in the EEC guidance prices on all products. Heavy sections, which the EEC has raised by 5 per cent, have been kept stable by British Steel. Where the EEC raised the price of plates by 10 per cent, British Steel has put its price up by only 5 per cent.

The prices of both heavy sections and plates are still higher than the general level on the Continent, however.

Mr. John Safford, director of the British Iron and Steel Consumers' Council, said yesterday that while no consumers' organisation would welcome price increases, his members—the steel-using industries—recognised the need for higher charges if the European steel industry was to be preserved.

The cumulative rises in steel prices agreed by the EEC since January 1 this year are now around 11 per cent.

Earlier this year, the Commission set a rise of 15 per cent as being a target average increase to be achieved in 1978. A further rise of around 4 per cent in EEC guidance prices is therefore to be expected before the end of the year.

● UK steel production was down 7.4 per cent on April's figure, but up 4.5 per cent on output in May 1977. This reflected the effects of annual holidays in Sheffield and the West Midlands, and the dispute in BSC's Llanwern works in South Wales. Steel production in May was 409,000 tonnes a week against 441,700 in April. Production in May last year was 391,300 tonnes.

The first five moths of this year showed a drop in average production over the same period last year. Output was 404,600 tonnes against 411,300 in the first five months last year.

Rio Tinto to make new U.S. pain-killer

By David Fishlock

RIO TINTO-ZINC is to make a high-value chemical intermediate for the new U.S. pain-killer Dolobid under a £12m contract over five years.

ISC Chemicals, the Rio Tinto-Zinc fluorine chemical subsidiary at Avonmouth, will build a £1.5m plant, the first of its kind, it is believed, to make the material to pharmaceutical industry standards of purity.

Its contract, with Thomas Morson and Son, is to make the chemical 2.4 difluoro-aniline, starting material for the manufacture of diflunisal, the active ingredient of the new analgesic.

Dolobid, a U.S. discovery, made its world debut in Britain in April as a replacement for aspirin, because of its freedom from side-effects when used in large or repeated doses.

At the time it was estimated that its drug, to be made commercially in Britain by Thomas Morson, could provide the UK with export earnings of £200m in the next decade.

ISC Chemicals plans to build a 500-ton plant for manufacture of the intermediate as part of a £3m multi-stream plant for aromatic fluorine compounds.

The two stages of chemistry involved will add about 70 per cent. to the value of its feedstock.

This feedstock will be supplied by Hickson and Welch under a separate contract negotiated by Thomas Morson, involving construction of a £500,000 plant at Castleford, Yorks.

Howard Rotovator factory closure will cost 340 jobs

FINANCIAL TIMES REPORTER

HOWARD ROTOVATOR'S plant at Washington New Town is to be closed by the end of the year, with the loss of 340 jobs.

This is a further move in Howard's retrenchment policy, which last year led to the closure of the foundry department of the Halesworth, Suffolk, factory and the shutdown of the Ipswich assembly plant. Three hundred jobs were lost then.

The company said yesterday: "The continuing recession in world-wide agricultural machinery markets necessitates a reduction in the manufacturing capacity.

"The company, therefore, intends to concentrate all production at its Halesworth and Harleston factories.

"The closure will affect about 340 employees and will be phased over seven months, with production ceasing in September and October and final closure at the end of the year."

The Washington factory was opened in 1974, financed partly by an £800,000 loan from the Industry Department as Washington has special development area status. It has received other regional development grants and the total amount of public money invested in the company is thought to exceed £1m.

Last November, Howard said that it was concentrating production on three factories, including Washington, as part of retrenchment.

Four months ago, it said that there had been cuts at its factories in Australia, Brazil, France and Germany. Group pre-tax profits in 1976-77 fell from £3.28m to £1.51m.

Union officials on Tyne and Wearside have condemned the latest closure and a mass meeting was called yesterday by the unions involved outside the factory.

Howard's shares closed 2p lower last night, at 29p.

SIR BARRIE HEATH

"Help not required."

Car industry chief attacks intervention

By Our Industrial Staff

THE LAST THING the motor industry wants is further "help" from the Government, Sir Barrie Heath said yesterday after his election as president of the Society of Motor Manufacturers and Traders.

Sir Barrie, 61, is chairman of Guest Keen and Nettlefolds. More than 40 per cent of the company's sales by value go to the automotive industry.

At the annual lunch of the Society's council he said that he would fight every inch of the way for the industry to have a free hand in determining its future.

"We must oppose unwarranted and wasteful interference by government in the running of our industry."

Sir Barrie succeeded Mr. David Plastow, group managing director of Rolls-Royce Motors, who became deputy president.

Earl's Court owners win £5m loan for modernisation

FINANCIAL TIMES REPORTER

TOWN AND City Properties is to receive a long-term £5m loan — initially interest free — from the Greater London Council to modernise its Earl's Court exhibition centre.

The latest accounts from Town and City show that the exhibition services division, which owns both London exhibition centres — Earl's Court and Olympia — made profits last year of £609,000, a fall of 14 per cent. The group loss was £7.6m.

Mr. Jeffrey Sterling, chairman of Town and City, welcomed the GLC move as a long-needed subsidy, for Earl's Court which still lacked basic facilities.

"As a public company it is difficult to justify ploughing cash into Earl's Court, since investment yields are so low," he said.

He tohught that Earl's Court and Olympia were possibly the only major private exhibition centres in Europe not to receive public money.

The GLC plan needs to be approved by the finance committee, but this is likely to be a formality. The National Exhibition Centre in Birmingham which has taken business from London since it opened two years ago, welcomed the GLC move as a boost for the exhibition industry.

Burmah Oil to sell crude to BNOC

By Kevin Done

BURMAH OIL is to sell its share of the crude oil produced from the North Sea Thistle Field to the British National Oil Corporation.

The agreement will last for the life of the Thistle Field, which has recoverable reserves estimated at 500m-525m barrels. The field came on stream earlier this year.

Burmah has an 8.1 per cent share of the field, its sole remaining equity stake in a North Sea discovery.

The company was formerly the operator of the field and the dominant partner. But in 1976 it sold 65 per cent of its share in Thistle to the corporation for £103.3m.

The price at which Burmah will sell its remaining crude to the Corporation will be determined every three months

The company has taken this step because its small refinery at Ellesmere Port is unsuitable for processing North Sea crude.

Rival councils urged to agree over site

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

MR. REG FREESON, the Housing Minister, has intervened in an inter-council dispute over the future of Manchester's Central Station site.

He has written to Mr. Alfred Morris, Labour MP for Wythenshawe, to say that the Government does not welcome apparent competition between Manchester City Council and the Greater Manchester Council for control of the 23-acre city centre site.

Mr. Morris is writing to both authorities passing on Mr. Freeson's hope that ways can be found of reaching agreement. And he hopes that "what many people regard as a long standing scandal can be ended."

Manchester Central Station was accorded a long passage in the report of Judge Fay's investigations into the Crown Agent's losses.

The report showed that British Rail agreed to sell the site in 1972 to a Jersey based company for £2.75m. Before completion of the sale Mr. Jack Walker and Mr. Ramon Greene agreed to buy the site from the Jersey buyers for £3.73m.

After a complex series of deals, the property arrived in the portfolio of the Crown Agents-backed English and Continental group for £5m, and £1.2m was passed to Mr. Greene and Mr. Walker personally.

Mr. Norman Morris, leader of Manchester City Council explained yesterday that the council subsequently started talks with English and Continental to buy the site for £2.5m.

Plans to build an exhibition centre were being hammered out and the city discussed the option of applying a Compulsory Purchase Order on the site to ensure that a suitable scheme emerged.

Then a Mr. George Robinson, backed by Allied Irish Bank, stepped in and bought the site for £1.45m.

The Council carried on its talks. But then the Greater Manchester Council appeared, negotiated directly with Mr. Robinson and, according to Mr. Morris, left the city completely in the dark about its proposals.

Mr. Morris says that the city has accepted proposals by the local Department of the Environment office to meet and discuss the matter with the Greater Manchester Council. Mr. Arnold Fieldhouse, leader of the council said yesterday that his council would be only too happy to have discussions.

There the matter rests. The city is still willing to consider a compulsory purchase if its exhibition centre plans are blocked.

And Mr. Freeson has said that any such order "would be treated as expeditiously as possible."

Mr. Fieldhouse for the Greater Manchester Council however, sees no reasons for a dispute.

Resorts back aid campaign

THE BRITISH Resorts Association gave its support yesterday to a campaign to make Government grants available for all tourist projects at British resorts, whether or not they were within official development areas.

Mr. Moran Atha, from Bridlington, suggested at the Association's annual conference in Scarborough that tourist development areas should be created and all resorts given the chance to qualify for Government aid.

Accounting standards body criticised

BY TIM DICKSON

CRITICISM OF the methods and work of the Accounting Standards Committee, which formulates accounting and reporting rules for companies, emerges in a report published today by the London Society of Chartered Accountants.

The working party who prepared the report was headed by Mr. Ken Gardener, finance director of Dunlop, and included a representative from the Government accountancy service, a stockbroker and a partner from international accountants, Arthur Andersen and Co.

The group agreed that the technical content of early accounting standards was good but recent exposure drafts "lacked the quality which earns respect and ready compliance."

Examples given were the exposure draft ED19 on deferred tax—which is criticised for its "pragmatic approach"—and ED21, criticised for allowing two alternative methods for dealing with currency translations in accounts.

"We believe that exposure drafts should always discuss the conceptual background of a proposed method of accounting."

Ideally, standards should specify a single accounting treatment but: "some flexibility should be allowed in those areas in which accounting is at an evolutionary stage."

The Standards Committee needed a full time "chief executive" and a larger high calibre secretariat. Separate standards might be necessary for sectors such as property, banking, oil and insurance. Special standards should apply to the public sector.

The balances of individuals on the Standards Committee was wrong and, in view of the increasingly sensitive areas now covered by standards, more representatives of industry and more "non accountants" should be included.

No alternative committee was necessary, but it should be given more independence and authority to issue accounting standards.

The committee should also be prepared to advise on the implementation of standards and should publish written interpretations to clarify misconceptions.

It is also criticised for failing to make more use of the Consultative Group but the working party concludes that there are faults on both sides.

Auditors were reminded to qualify reports if not satisfied about a company's departure from standards and if departure is material.

* *Report of an LSCA Working Party on Accounting Standards. Available from London Society of Chartered Accountants. Price £1.*

'Evidence of metal fatigue' in tanker

BY PAUL TAYLOR, INDUSTRIAL STAFF

A U.S. metallurgy expert told the Liberian Board of Inquiry into the Amoco Cadiz disaster that sub-standard steel was probably used in the vessel's steering gear and that this may have caused its failure.

Mr. Fulton Holtby was called by Amoco to analyse the results of tests on parts of the steering gear taken from two sister ships to the Amoco Cadiz.

He told the inquiry in London that the results showed that the steel used by Spanish shipbuilders Astilleros Espanoles was "inadequate" to withstand the stresses in service and did not meet the chemical specifications listed by the steel manufacturer. The steel manufacturer has not been named during the inquiry.

The tests were conducted on steel studs and flanges used in the vessels' hydraulic steering gear. Five of these studs broke on the Amoco Cadiz, causing the initial steering failure and have not been recovered for testing.

Mr. Holtby said that the kind of steel used in the steering gear might have been to blame for its failure. There were design faults in the steering system and incorrect assembly could also have led to the studs breaking. The breaking which "on the basis of available evidence, was probably caused by fatigue or a tension failure."

When questioned by Mr. Gordon Victory, a Board member, Mr. Holtby said that high pressure tests on the Amoco Cadiz steering system before it was installed could have weakened the studs.

Mr. Holtby is expected to be one of the last of the technical experts called to testify on the design and operation of the Amoco Cadiz steering gear.

On Monday, the Board hopes to begin a detailed examination of events after the steering gear failure which led to the vessel being grounded on the Brittany coast.

This section of the inquiry will hear the testimony of the vessel's master, Captain Pasquale Bardari, who arrives in London this week and begins his evidence on Monday.

● Mr. Edmund Dell, Secretary of State for Trade, has been asked to give evidence before a Commons committee which will investigate the Government's handling of the Eleni V tanker incident.

Jetsave profits of £1.7m

By Arthur Sandles

AN INDICATION of the buoyancy of the North Atlantic air traffic market came last night when privately-owned charter operator Jetsave produced profits of £1.7m for the year ended March 31. Jetsave, which is strong in the Advanced Booking Charter business, had a turnover of £18m.

Although low fares have provoked alarm in some airline quarters it is clear that the air fare battle has stimulated traffic. Jetsave's 1976-77 turnover was £10m, and its profit £821,000.

Mr. Reg Pycroft, chairman and founder of Jetsave, said last night that he was "not surprised now to be meeting strong low fare competition from the scheduled airlines" but he was confident that the company would maintain its position. "Our plans for new products may surprise our rivals just as much as they have in the past."

Seat belts 'could save thousands of injuries'

FINANCIAL TIMES REPORTER

MORE THAN 12,000 fatal and serious road casualties could be saved every year in the UK if all drivers and front seat passengers wore seat belts, says a report by the Transport and Road Research Laboratory in a report on the effectiveness of seat belts.

The survey, based on a comprehensive sample of accidents, shows that the use of seat belts considerably reduces the chances of sustaining head injuries in a crash.

Seat belts also offer protection by preventing ejection from the vehicle. In the survey almost one quarter of those thrown out of their car were killed, and this accounted for nearly one half of all deaths.

On the other hand, the risk of being trapped inside a vehicle which caught fire or was submerged in water was less than one in one thousand.

The report comments: "Although it is possible to imagine situations where an occupant would have fared better without a seat belt, no such cases were noted in the survey and so must be relatively rare."

Silver beakers fetch £12,500

SALEROOM

BY ANTONY THORNCROFT

KOOPMAN, the London dealer, was an active buyer yesterday at Sotheby's silver sale, which totalled £144,699. He bought a set of four 17th-century Dutch beakers by Van Eyck for £12,500; a pair of George IV entrée dishes and covers by Paul Storr for £4,200; and a George IV silver gilt bowl (sold by the Duke of York in 1827 to meet his debts) for £146 18s 10d for £3,200. Jessop also gave £3,200 for a Charles II caudle cup and cover.

At Sotheby's Belgravia European glass and ceramics totalled £61,791. Marin bought a pair of large Sevres vases and covers, made about 1900, for £3,300 and a Berlin plaque of the Madonna and Child sold for £2,000. Gay Antiques acquired a set of 12 late 19th-century Sèvres plates for £1,850.

At Sotheby-Parke Bernet, New York, this week a gold enamel and lapis lazuli charger made in 1827 to a late 16th-century design sold for £25,543, and a pair of late 19th-century Sèvres urns with stands for £8,696.

At the Lawrence saleroom, Crewkerne, Somerset, a Paul Gaugain print, "Nave Nave Fenua," was bought by Fritz-Denneville of Bond Street for £5,100. A group of items connected with Florence Nightingale sold by the executors of Denys Eyre Bower of Chiddingstone Castle, Kent, made £2,315. The Science Museum paid £580 for a shoulder sash worn at Scutari Hospital in Turkey, and £325 for a letter from the Crimea, by Florence Nightingale.

Museums were also active bidders at Christie's South Kensington first sale devoted to militaria.

The London Museum paid £120 for a canvas banner of the suffragette Women's Social and Political Union, Chelsea Branch. The National Army Museum bought a FANY uniform for £35 and a First World War nurse's uniform for £10. Top price in the auction, which totalled £9,747, was £680 for a field officer's coat of the 56th Foot, dating from about 1775.

Christie's sale of Continental furniture and rugs and carpets made £75,917. Van Delden, the Dutch dealer, paid £4,800 for a suite of Napoleon III mahogany and parcel gilt seat furniture upholstered in Aubusson tapestry. An antique Afghan Saryk carpet took the same price from an anonymous buyer.

A set of six Dutch marquetry dining chairs sold for £3,400 and Van Delden also paid £3,000 for a Dutch marquetry display cabinet.

Sales at the 20th Antiquarian Book Fair, which ended last night at London's Europa Hotel, totalled a record £615,000. There were 104 dealers from seven countries.

An anonymous £10,000 gift has helped cut to £66,500 the amount needed in the next three-and-a-half weeks to save one of the pair of Warwick Castle Canalettos from export.

It was handed to the National Gallery, which has both pictures on display as part of the effort to raise the money.

The pictures, of the castle's east front were sold by Lord Brooke, son and heir of the Earl of Warwick, to the American art collector Mr. Paul Mellon, but the Government is withholding an export licence until July 11. A total of £275,000 was needed, and Birmingham Art Gallery has already raised enough to save one.

Crew training proposal

AN INTERNATIONAL conference on the training of seamen will examine the need for tanker officers and crews to have special qualifications.

The proposal has come from the Danish delegation to the Inter-Governmental Maritime Consultative Organisation conference on the training and certification of seafarers which began meeting in London on Wednesday.

On Monday a special working party will examine the Danish proposals, which have been framed in the light of super-tanker disasters like the Argo Merchant and the Amoco Cadiz.

It is widely accepted that the main cause of tanker accidents is human failure and the Danish suggestion, if accepted by the conference, would require tanker crews to have specialised knowledge and training.

Jaguar Cars to recall 7,200 vehicles

FINANCIAL TIMES REPORTER

JAGUAR CARS is to recall 7,200 vehicles for fuel system checks.

The recall affects certain XJS models, and some Jaguar and Daimler XJ12 fuel injection cars.

The company said last night that the XJS models will have two flexible fuel hoses replaced to eliminate the possibility of leakage developing in long-term use.

The XJ12 cars are being modified to ensure clearance between a fuel pipe and an adjacent pipe in the engine bay.

Owners of affected vehicles will be receiving direct notification within the next few days, and the modifications will be free of charge.

Copying equipment levy 'unfair' to office users

FINANCIAL TIMES REPORTER

A PROPOSAL by the European Commission to introduce a levy on the sale of equipment for copying printed words, sounds and images could be unfair to office users, the Business Equipment Trade Association said yesterday.

The Commission's proposal is designed to provide compensation to owners of copyright material for the increasing practice of pirate copying of recordings and printed material.

The association says in a submission to the EEC that office machinery should be exempted from any levy because it is rarely used for making unauthorised copies.

Managers 'should meet MPs'

BY NICHOLAS LESLIE

A BETTER understanding of industry among Members of Parliament and enouragement by companies of individuals who wish to become MPs were considered desirable objectives by most managers questioned by the British Institute of Management.

But there was widespread opposition to the propesition that companies should sponsor MPs.

The survey forms part of a general move by the institute to get the views of managers more widely known in Whitehall. It has been inspired by the steps taken by the Confederation of British Industry to consider how companies can make it easier for employees to become MPs.

The CBI already has a committee, headed by Lord Carr, the former Conservative Minister, looking into the question of Parliamentary representation.

In addition to the survey, Mr. Roy Close, director-general of the institute, has just written to the political party leaders to propose a "pre-General Election dialogue" between the parties and the institute.

He suggests it might be helpful for them to have comments from the management side on policy aspects being developed in their manifestos.

GROWTH OF MONETARY AGGREGATES (£m)

	Money Stock M1 Unadjusted	Money Stock M1 Seasonally adjusted	%	Money Stock M3 Sterling Unadjusted	Money Stock M3 Sterling Seasonally adjusted	%	Bank lending* Unadjusted	Bank lending* Seasonally adjusted	Domestic credit expansion Unadjusted	Domestic credit expansion Seasonally adjusted
1977										
April 20	823	640	3.4	1,058	795	2.0	368	705	967	—
May 18	170	161	0.8	190	353	0.9	120	389	117	—
June 15	440	295	1.5	461	309	0.8	124	439	820	—
July 20	181	426	2.2	658	358	0.9	1,341	182	239	—
August 17	276	59	0.3	—55	—1	—	—107	385	—257	—
Sept. 21	523	817	4.1	810	730	1.8	174	398	—72	—93
Oct. 19	748	594	2.8	469	595	1.4	580	469	227	182
Nov. 16	481	325	1.5	438	296	0.7	110	239	383	355
Dec. 14	663	233	1.1	799	413	1.0	28	272	304	381
1978										
Jan. 18	—256	617	2.8	40	1,036	2.4	737	182	—345	258
Feb. 15	113	484	2.1	378	1,050	2.4	328	284	206	843
March 15	364	170	0.7	369	313	0.7	313	576	534	598
April 19	793	352	1.5	1,742	1,144	2.5	390	264	2,043	1,657
May 17	193	216	0.9	398	400	0.9	546	770	917	1,096

* To private sector in sterling.

Source: Bank of England

Big rise urged in electronic industry subsidies

By Max Wilkinson

A BIG increase in subsidies to the electronics industry and tougher measures against unfair overseas competition are urged today by Mullard, a Philips subsidiary.

In a brief to MPs and officials, Mullard gives a rather depressing picture of the declining market share of British electronics companies in both components and the manufacture of equipment.

It reports that the industry has moved from self-sufficiency in 1960 to a dependency on imported components of almost 60 per cent this year.

Mullard says, after reviewing the different sectors of equipment manufacture: "Only an overall view shows the true gravity and magnitude of the situation which now exists — an equipment industry fast losing ground in vital sectors at the same time as being heavily dependent, and becoming more so, on imported components."

The company, now the only maker of television tubes in Britain, is particularly biting about the Japanese pricing of imports, which it says has been unfair, predatory and designed to knock out UK competition.

Evidence

"In electronics, the Japanese have resisted, directly and indirectly, reciprocal competition in their home market. In export markets, particularly the U.K., the Japanese have deliberately manipulated prices in a predatory fashion.

"There is ample evidence to show that TV set components such as tubes have been exported to Britain at price levels inconsistent with prices from the same suppliers quoted elsewhere in the world; at price levels which seemingly do not relate in any way to production, transport and marketing costs; at price levels which do not reflect massive movements in foreign exchange rates."

Figures quoted in the report show that prices of Japanese television tubes are on average 20 per cent lower in the UK than elsewhere in the world and 80 per cent below the price charged in South Korea.

Apart from unfair competition, the poor performance of the British electronics industry is partly due to the low levels of Government subsidy compared with what had been received by competitors abroad.

● Deliveries of imported colour television sets to UK distributors fell to 14,000 in April, compared with 24,000 in the same month last year, according to figures released yesterday by the British Radio Equipment Manufacturers' Association.

Imports during March were also down, at 25,000 compared with 34,000 a year earlier. Deliveries from UK manufacturers increased 11 per cent to 102,000.

Power plan reveals split on coal role

BY JOHN LLOYD

A DEEP division between the Government and the Central Electricity Generating Board on the future roles of coal and nuclear power in the electricity supply industry is evident in the board's corporate plan for 1978.

The board says that if domestic coal prices increase so that it is no longer competitive with oil, it "intends to reopen negotiations on coal imports."

Foreign coal — especially from Poland and Australia — is up to 30 per cent cheaper than UK coal.

Mr. Alex Eadie, a junior Minister at the Department of Energy, said that he viewed the Board's comments on coal with scepticism, and did not fully agree with the plan.

The plan is to a large extent board's comments on coal with an attack on the assumption made by Government and the National Coal Board on the level of coal production to the end of the century, and on Government reluctance to back the Electricity Generating Board's plans for more nuclear capacity.

The electricity generating board is extremely pessimistic about coal production, estimating that it could be as low as 115m tons in 1985 and 105m tons in 2000.

The equivalent Government National Coal Board assumptions for these years are 135m tons and 170m tons respectively.

As well as forecasting that the Coal Board will not produce its target amount, the electricity generating board believes it will not need an increasing amount

It was assumed in the government green paper on energy policies published earlier this year that in 1985 the generating board would consume over 80m tons of coal and under 20m tons of coal-equivalent of oil.

The generating board considered that, based on the price relativities between coal and oil (estimated at 1.1:1) the coal burn would be between 65m and 75m tonnes a year.

The emphasis in the report is on future nuclear capability.

"In all scenarios studied by the generating board, nuclear power proves to be the most economic choice for electricity generation at high load factor, and its cost in real terms is likely to increase fairly slowly over time.

"Fossil fuel prices, on the other hand, are expected to increase more rapidly, so that the economic case for nuclear power improves further in the longer term."

The plan argues that, assuming a required rate of return on investment of 5 per cent, it will be economic to install nuclear power stations (advanced gas-cooled reactors or pressurised water reactors) before required.

Fast breeders

The electricity generating board favours the adoption of fast breeder reactors in the near future, so that energy needs would not be constrained by uranium shortages.

"On a world-wide basis, nuclear power utilising fast reactors offers an energy source at least similar in order of magnitude to, and possibly much greater than, the world's total recoverable fossil fuels."

Other points from the plan include:

● The average growth in Gross Domestic Product to the year 2000 is assumed to be 2 per cent per annum (low estimate) or 3.2 per cent per annum (high estimate).

● The continued price advantage of gas could cause a further deterioration in the competitive position of electricity.

UK power station sulphur emission 'is harming Norway'

BY JOHN LLOYD

CLEANSING TECHNIQUES costing up to £1.5bn a year may have to be adopted by the U.K. power stations in the next few years to cut down emissions of sulphur dioxide.

Both West Germany and the U.S. have brought in sulphur emission controls and there is increasing pressure on the European Commisson to make them mandatory on its member countries.

In addition, the Norwegian Government is claiming that sulphur emissions from British power stations are causing serious environmental damage in South-West Norway.

Scientists from the Central Electricity Research Laboratory have been working with Norwegian experts in an attempt to judge the extent of the damage.

While the British scientists claims that there are no conclusive results from the tests, which have taken place over the last two years, the Norwegian Government continues to put pressure on the EEC for emission controls.

Dr. Gro Harlem Brundtland, the Norwegian Environment Minister, discussed the problem with Mr. Peter Shore, the U.K. Environment Secretary, last month.

The Central Electricity Research Laboratory is planning a further series of chemical surveys over the North Sea, jointly funded by the Central Electricity Generating Board and the Electric Power Research Institute of the U.S.

Generating Board experts believe that present pollution control—using very tall stacks—is adequate, and that to much is being made of the harmful side-effects of sulphur fall-out.

However, they concede the strength of the environmental lobby, and are investigating a variety of ways—all of them likely to be expensive—in which sulphur can be washed out before reaching the atmosphere.

The Generating Board has also arranged, in association with the Medical Research Council, for the funding of two joint fellowships to advance understanding of the action of sulphur-related compounds in the atmosphere on the human respiratory system, and to pursue further epidemiological studies on their effects on health.

Corrosion

A further problem facing the Central Electricity Generating Board is the increasingly high chloride content of coal, especially from the Midlands and Yorkshire areas. Here the problem is not one of emissions, but of the corrosive effects of the chloride.

Coal from one colliery—Lea Hall, in Staffordshire—causes such severe corrosion of boiler tubes at Rugeley "A" power station that they have to be renewed every year.

More alarmingly, coal from the newer, deeper pits appears to contain higher chloride levels than that from the old, shallower collieries.

Foreign truck and van sales increase

By Terry Dodsworth, Motor Industry Correspondent

CONCERN in the British motor industry about rising commercial vehicle imports was heightened yesterday by the publication of figures showing a 58 per cent rise in foreign truck and van sales last month compared with a year ago.

The figures, issued by the Society of Motor Manufacturers and Traders, are in line with the 60 per cent increase in imports during the first five months of the year.

They indicate that the big UK manufacturers have not taken real advantage of the improvement in the market this year, when sales have gone up by 12 per cent to 107,562 units.

They will also add weight to the moves by Leyland Vehicles to step up productivity and output in its UK plants in an effort to reduce imports.

Imports

Virtually every sector of the industry has been affected by the expansion of overseas vehicle companies.

In the heavier truck and articulated lorry field, for example, imports rose from 821 units last year to 1,102, with all the big Continental groups — Volvo, Scania, Fiat, Mercedes and DAF — adding substantially to their sales.

In four-wheel drive sales the Japanese manufacturer Daihatsu, is now beginning to make a significant impact.

They sold 57 and 29 vehicles, respectively, last month, against 521 Land Rovers and Range Rovers, more than making up for the fact that the Toyota Landcruiser has been withdrawn from Britain.

In the light van category, imports rose last month from 1,325 a year ago to 2,340, and in the car-derived van and pickup sector from 966 units to 1,405.

Only shareholders should choose board, urges CBI

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE CONFEDERATION of British Industry has decided to pin its opposition to Government proposals for worker-directors on the principle that only a company's shareholders should have the ultimate right to say who should become a director.

This backing of the traditional supremacy of shareholders as the owners of a company cuts directly across the Government's and the TUC's view that employees should be given a statutory right to elect their own boardroom representatives.

"We don't believe that any director should be imposed on a company against the wishes of the shareholders who own the company.

"Maybe some people want to overturn this traditional ownership structure; but our members don't want to, and we believe that many other people in the country do not want to either," Mr. Richard Dixon, the Confederation's special affairs director, said yesterday.

Together with Sir John Methven, the Confederation's director-general, Mr. Dixon was detailing the views of leading industrialists on the Government's industrial democracy White Paper, published three weeks ago.

The Confederation is consulting its members on the details of the White Paper, including the implications of its proposals for a form of two-tier board structure, and will meet Ministers later in the summer.

The Government's official consultation period on the White Paper has now been extended to September, although some preliminary drafting of a possible Bill has begun in Whitehall.

The TUC decided on Tuesday to urge Ministers to strengthen the role of trade unions in any Bill and to provide for the early introduction of statutory rights to worker directors.

The Confederation's view is that not only should there be no stautory rights to worker-directors, but that any industrial democracy legislation should be based on all employees, not trade union members alone.

Sir John, however, confirmed yesterday that his organisation does not object to fall-back legislation on below-board-level consultation systems.

This is in spite of the fact that many industrialists object to any legislation at all.

The Confederation's leaders therefore believe that they can have useful talks with the Government on below-board-level consultation but not on the principle of worker-directors.

Meanwhile, the Confederation is encouraging its members to develop voluntary consultation systems. Yesterday, Mr. Andrew Sargent, head of its employee communication unit, estimated that more than 70 per cent of its member-companies have developed formal consultation systems. This would cover some 7m-8m workers.

Sir John emphasised that this did not mean that companies had gone far enough yet in moving towards employee participation. It did, however, show that legislation was not essential for changes to be introduced.

"We believe employees should have rights to information, rights to be consulted about all decisions that affect them, where possible before they are taken, and rights of access to senior executives in the company."

CBI warning, Page 13

Design award

THE NATIONAL Association of Shopfitters is sponsoring an annual design award, with a £1,000 cheque and commemorative plaque as first prize. The competition is open to architects and designers practising in the UK.

Healey's package 'blow to UK recovery'

BY DAVID FREUD

LAST WEEK'S economic package will break the back of the economic recovery unless there is offsetting policy action in the near future, say City brokers Fielding, Newson-Smith.

At the same time, prospects for the balance of payments have improved. Both the public sector borrowing requirement and domestic credit expansion are forecast to fall within the Chancellor's limits. Sterling should therefore stabilise.

The firm estimates that the measures will eventually raise retail prices 2 per cent above what they would otherwise have been, which could reduce real gross domestic product by 0.75 per cent.

In addition, the credit restraints imposed through the corset will have the effect of lowering final demand by possibly a further 0.25 per cent through restriction of personal sector lending and the ability of industry to increase its stocks.

Another broker, Simon and Coates, says damage to the economy by the measures is unlikely to be significant.

The strong financial position of British industry suggests that the amount of investment postponed or restricted by financial constraints will be minimal. Recent figures showed that at the end of March industry's financial position was at its most favourable this decade.

Overall monetary growth was likely to be comfortably within Budget guidelines by the autumn.

This showed up the problems associated with the present method of funding borrowing.

Council changes condemned

BY DAVID CHURCHILL IN EDINBURGH

PLANS BEING considered by a Cabinet committee for a short-term re-organisation of local government were roundly condemned at the public sector accountants conference in Edinburgh yesterday.

Mr. John Grugeon, leader of Kent County Council, claimed that the financial impact of such changes "would be near disastrous."

"I can see it only as a further attempt to divide the united interests of local authorities in promoting local democracy," he said.

The proposals for short-term —or organic—changes in local government arise from the Conservative re-organisation in 1974 which gave more power for certain services to the counties at the expense of some major cities.

The Labour Party has vigorously campaigned for the cities to regain their powers. But the proposals are being contested within the Cabinet committee by the Secretaries of State for Health and Education who fear the disruptive effect on these particular services of any further change.

Mr. Grugeon told the annual conference of the Chartered Institute of Public Finance and Accountancy that he was "surprised that anyone with the interests of local democracy at heart could even consider changes on such a scale with the spectre of re-organisation so close behind us.

"The financial implications on public expenditure would be enormous and the effect of such an upheaval crippling for staff morale."

At a time when public services were being cut it would be wasteful to spend money on organisational changes. These changes would lead inevitably to extra costs due to the duplication of administrative support.

Mr. Grugeon appealed to the conference to support the view that reorganisation had to be given a chance. "If local government is to be strengthened it must have a period of relative stability."

Another speaker, Mr. Roland Freeman, a member of the Greater London Council and former finance committee chairman, suggested that his well-publicised ideas for a reform of the rating system were complementary to the "organic change" proposals.

Mr. Freeman advocated a shift of the financial burden from ratepayers to taxpayers. Domestic rates would be kept in a simplified form as a purely district council tax, supplemented by other sources of local revenue.

Central government would assume greater responsibility for the finance of national services, such as education.

Mr. Grugeon also advocated that local authorities needed to reduce their dependence on central grants. He proposed that the idea of a negative income tax, which would guarantee a certain minimum income, could be an alternative.

This had been proposed by the institute five years ago, but had not been taken up by the Government.

'Near collapse'

"I would suggest that the present personal taxation system is perilously close to collapse, not merely in its administration but also in its disincentive effect on worker and manager alike."

He acknowledged that there would be considerable practical difficulties in introducing such a tax.

Earlier, an attempt was made to mend the fences in the row between the public and private sector accountancy profession over the standards of auditing in local government.

Mr. Stanley Middleton, a council member of the Institute of Chartered Accountants in England and Wales, said that the resolution passed at last week's Institute of Chartered Accountants' annual meeting was not meant as criticism of the institute.

The resolution, passed overwhelmingly by the Institute of Chartered Accountants meeting, called for all practical steps to be taken "to raise the minimum standards of accounting and accountability required of local authorities at least to equal those required of companies quoted on the Stock Exchange."

ENERGY REVIEW

BY DAVID FISHLOCK

The two pitfalls of windmill power

WITHIN THE next year the Department of Energy may be seeking Treasury approval for a scheme costing upwards of £2m to build a giant windmill on some remote hilltop, probably in Scotland. If so, it will be the first of the "benign and renewable" energy sources to reach the stage of a large-scale demonstration in Britain. In fact, no one has yet operated a windmill of the output the UK is now contemplating, although the U.S. and West Germany have plans.

Wavepower, most publicised of the new electricity sources, is still at the stage of small-scale models. Any direct use of solar power for electricity generation can probably be discounted in Britain. Tidal power, says the Central Electricity Generating Board, cannot compete if costed for electricity alone.

But windmills, or aerogenerators to use the modern term, may produce some competitive power. One, rated at 30kW, built privately by Sir Henry Lawson-Tancred, feeds electricity at 480 volts into the Yorkshire electricity supply. Just how much power aerogenerators might generate is the subject of heated debate between windpower enthusiasts, who see almost no limits, and the generating boards, which believe that at very best Britain might one day obtain a few per cent of its electricity from this source—perhaps the equivalent of a single 2,000MW power station.

Experience

The generating boards recall the experience of having tried to harness wind-power in Britain during an earlier energy crisis, 25 years ago. The two counts on which they were beaten then have by no means disappeared today.

One of those counts is the reliability of the engineering on the scale and under the environmental conditions envisaged for high-power aerogenerators of 1MW output or more. Big windmills are a far cry from the picturesque models which the Dutch seek so enthusiastically to preserve in working order. Typically a Dutch windmill of whatever design or purpose is generating the equivalent of about 60kW of electricity.

Big aerogenerators have shown a disturbing tendency to break. The most spectacular failure was that of the 1.25MW aerogenerator built on Grandpa's Knob, a hill in Vermont, during World War II, which shed one of its 53-metre diameter blades after a couple of years. Britain had its own failure with a 100kW aerogenerator with 15-metre blades in the Orkneys in the 1950s. As recently as 1976 a 100kW aerogenerator built by the U.S. National Aeronautics and Space Administration ran into serious problems, which threatened the blades with fatigue failure.

For Britain the problem is that it has been clearly shown that the best sites for electricity-producing windmills will be on hilltops in the windiest regions, where the machines can catch gusts from every direction. By this means load factors as high as 35 per cent may be possible, compared with about 20 per cent for a typical windmill in Holland. (As a Dutch miller once told me, "when the wind fails to blow I am off to catch fish.") But try to conceal the structure by letting it nestle between hills and the load factor declines alarmingly.

If the aerogenerator is to survive under high exposed conditions, however, it must be designed to withstand the worst the winds might offer. The machine would in any event be shut down at a certain windspeed, to protect the machinery—as is the case with traditional windmills—but the structure itself, taller than any electricity tower, would remain fully exposed.

This brings us to the second problem of which the generating boards already have experience. In 1953 a 100 kW windmill was ordered from de Havilland Propellers and tested at St. Albans. The generating engineers then wanted to move it to the Lleyn peninsula in North Wales for a demonstration under higher wind conditions. Local people objected, however, to what they saw as the intrusion of a large engineering structure into an area of great natural beauty.

Unfortunately, the geography of ideal sites for windmills in Britain, computed painstakingly by the Electrical Research Association over many years, coincides closely with the areas of natural beauty, particularly down the western side of the country. To objections about the appearance of aerogenerators and power transmission lines must be added the noise very large, high-speed machines may make; and a new one, interference with television. U.S. experience has shown that big aerogenerators can interfere with TV reception over distances of up to one mile.

Cheap way

A cynical attitude to the Department of Energy's plan to spend £2m on a 3.7MW aerogenerator might be that, at the price, it will be a cheap way of demonstrating once and for all that windmills—of which Britain once had about 10,000—are never going to make a comeback. This may well be so, but enthusiasts for the plan—including generating board engineers—see it in somewhat different terms.

They want to learn at first hand whether a big engineering structure can be built on remote and inaccessible sites for the price estimated; whether it will stand up to the weather; run unattended (probably under microprocessor control); produce useful amounts of electricity to offset a capital cost perhaps twice that of new nuclear capacity; and also not raise the hackles of those who seek to protect Britain's regions of natural beauty.

The windmill envisaged would not be of particularly adventurous design. A consortium led by British Aerospace, and including Taylor Woodrow Constructions, Cleveland Bridge and the Electrical Research Association, has arrived at an outline design for a metal-bladed windmill with a propeller spanning 60 metres (compared with 23 metres for a big Dutch windmill), turning upon a horizontal axis. The Energy Department has just authorised another £341,000 for its detailed design and the testing of components over the next 12 months. Further ahead—perhaps a long way ahead—lies the possibility of replacing the reinforced concrete or lattice steel towers currently proposed with a lightweight structure; and the welded-steel blades with blades of reinforced plastic.

The aerogenerator, says Mr. Peter Rendall, of British Aerospace, will be designed to extract power over an unusually wide range of windspeeds—perhaps 20 to 60 mph. U.S. machines are being designed for lower windspeeds and hence are much bigger. At windspeeds higher than 60 mph the UK prototype will be automatically turned out of the wind and its blades locked horizontally.

Britain's most eminent advocate of aerogenerators is Sir Martin Ryle, the Nobel Prize radio-astronomer, who believes that the wind could provide Britain with enough electricity to avoid installing more nuclear plants. He announced that he intended to testify to this effect at the Windscale Inquiry. Had he done so, the Central Electricity Generating Board was ready with a rebuttal, subsequently published in *Nature* in April.

One of the flaws in Sir Martin's case, it had been alleged, was simply the problem of safeguarding electricity supplies against weather conditions that might becalm a wide area dependent on aerogenerators. Sir Martin's answer was that, to cushion the electricity consumer against vagaries of the weather, homes could be provided with a cheap form of domestic heat storage capable of holding enough to last almost a week. The CEGB scientists examined the meteorological data for eight windswept sites they believed typified areas where aerogenerators might usefully be installed.

The data showed that, had the 150-hour heat store the scientist was proposing started fully charged in February 1975, by February 7 it would have been exhausted. Householders would have remained short of energy until February 16 and would have encountered further shortages between February 21 and March 18 that year. For the householder to have been adequately covered against windpower failures during those two months, says the CEGB, their homes would have needed a 38-day heat store—a far more costly proposition.

The generating boards see windpower not as a replacement for nuclear capacity—which will still be needed to safeguard against becalming—but as a way of saving some fossil fuel when wind conditions are right.

Environmentally, however, they foresee worrying problems, leading them—in spite of the extra cost of construction and transmission—to look offshore; to the possibility of building large clusters of aerogenerators say in the shallow waters of the southern North Sea.

Cluster

No-one has yet tried to cluster windmills. No-one knows just how widely spaced they must be to avoid taking the wind out of each other's sails thus reducing aerodynamic efficiency. The answers could be crucial to the economics. The CEGB has installed instruments around the Yorkshire machine and is carrying out windtunnel experiments with clusters of models at its Leatherhead laboratories.

Britain turns out to be one of the windiest corners on earth, making prospects for reliable aerogenerators brighter here than in most other places. But interest in the renaissance of the "free energy" of winds is widespread today. Inevitably, the U.S. has the most ambitious programme of work on big aerogenerators. Its Federal Wind Programme includes several big demonstrations.

The first, a 100kW machine near Sandusky, Ohio, commissioned late in 1975 made a shaky start, as I have already noted, but was recently reported to be running well.

In 1976 U.S. General Electric was given a contract to design a 2MW aerogenerator for service at a mean windspeed of 18 mph. A year later Boeing received a contract to design a 2.5MW aerogenerator for a mean windspeed of 14 mph.

In Europe, a 2MW aerogenerator has been commissioned this year at Tvind on the west coast of Denmark. Its lightweight 54-metre diameter blades are made from foam-filled fibre-reinforced plastic. In West Germany the MAN group is drafting plans for an aerogenerator of 2.3MW, to be funded by the Ministry of Research and Technology. The USSR is talking of installing a cluster of aerogenerators with a total capacity of 4,500MW.

Such schemes are a far cry from the tale told by a British professor, of a request to visit North Wales where the BBC wished him to talk about several "benign and renewable" energy sources being demonstrated there. But it was winter—the solar panels were covered in snow, the waterwheels almost frozen, the windmill becalmed. The cameras were waiting, however, so a resourceful producer got behind the windmill and cranked it by hand for the benefit of the viewers.

Yet it could still be that the two problems which beat British generating engineers in the 1950s—reliability at an acceptable cost, and public acceptance—will still defeat plans for big aerogenerators. The Energy Departments of both Britain and the U.S. are maintaining investment in developing medium-sized aerogenerators, of the order of 100kW.

The Natural Energy Centre at Kingston-upon-Thames — a team of energy consultants — reports brisk sales of still smaller models, both to oil companies as powerplants in remote places — offshore or desert — and to people with cottages beyond the reach of central electricity supplies. For the latter the centre claims it has supplied aerogenerators at half the cost quoted by area electricity boards. But the origins of the range of machines the centre has been able to recommend to its clients, says Mr. Paul McClory, its director, have so far been German, French, American—but not British.

Thorn fires first shot in new TV battle

NEWS ANALYSIS
VIDEO-RECORDERS
BY MAX WILKINSON

THE NEWS this week that Thorn is to market and rent a Japanese television video-recorder is likely to be followed shortly by a similar announcement from Granada, the television rental company.

Thorn, the UK's leading television manufacturer and rental company, has chosen the Video Home System in preference to the European-made Philips recorder or the Beta system made by Sony of Japan.

Granada is likely to follow the same route, although at a more cautious rate perhaps.

For most of the other rental companies a period of careful evaluation can be expected, because of the high risks associated with this new technology and the aggressive pricing policy adopted by Thorn.

Visionhire will be marketing the Philips system, but as yet the other rental companies have not made their intentions public. It now looks, though as if the rental market for video-recorders may be more difficult for all of them than some of the more enthusiastic pundits at first predicted.

From one point of view the video-recorder, which allows viewers to record up to three hours of programmes off the air, is an ideal new product for the rental chains, which have been worried for some time that the public will switch to outright purchase of colour television sets.

Although the television rental market is still holding up well, accounting for about 60 per cent of sets in service, some of the underlying factors which supported it seem to be changing.

Reliable

When colour sets first came on to the market they had three characteristics which now apply to video-recorders. They were expensive, liable to break down, and the first models were expected to be superseded by newer technology.

The colour set is now more reliable, less likely to be made obsolete and relatively much cheaper—all factors which could lead customers to buy rather than rent.

Video recorders, on the other hand, are too expensive at £700 to enjoy mass sales in the UK. Moreover, the complex mechanisms needed to move the recording head diagonally across the tape are certain to need regular servicing.

This complexity will in turn lead to the development in the next few years of mechanically simpler and therefore more reliable machines using different recording systems.

A customer therefore has every incentive to rent, if only to avoid the risk of being stuck with an obsolete machine when the second generation comes on to the market.

The rental companies, for their part, are having to make delicate judgments about the risk of being left with large numbers of obsolete machines after the technology has moved on.

Future

In the event, Thorn as the market leader, has decided to set the price rather below what could be calculated as the "economic" level. Its rental charge will be £18 rather than the £20-£24 a month which could be expected on a strict comparison with calculations for television rentals.

This pricing clearly reflects a view that an effort must be made to develop a big market in the UK for such an expensive product.

Thorn is also looking ahead two or three years to the time when video recorders are likely to be on the market at about £600, or £15-£16 a month.

The size of the future market in the UK is still very much a matter of opinion. Estimates vary between 100,000 and 150,000 units (£40m to £60m) this year.

Thorn is hoping to place about 20,000 during the next year. In the U.S., by contrast, a battle is raging between the two Japanese systems and total sales so far, are estimated at 500,000 units, with an expected sale of 500,000 during the next 12 months.

Analysts Wood Mackenzie believe that the contribution of video recorders to the profits of rental companies in the UK will be small until well into the 1980s.

They believe, for example, that video-recorders could contribute about £2.5m to Thorn's turnover in 1978 and about £10.5m by 1980. They suggest that by then, those wanting video recorders will still total only 1.6 per cent of people owning television sets.

It now seems improbable that video recorders will become a truly mass market product until two big changes in design have been achieved.

First, the complicated mechanical method for scanning the tape will have to be replaced by an electronic system controlled by a micro-computer.

This goal is being pursued feverishly by Philips, whose present machine has been overtaken in some respects by its Japanese rivals. Electronic control would enable machines to be made cheaper and much more reliable.

Second, manufacturers of the three main systems will have to agree on standardising the tape cassettes so that they are interchangeable as is the case with audio cassettes.

At present none of the three types of video cassettes can be used on a rival machine. This will inhibit the mass production of blank tapes and limit sales of pre-recorded tapes, both of which must have an important bearing on the sales of recording machines themselves.

Caution

The fact that Philips is already marketing the Japanese Victor system in the U.S. suggests that an agreement between these two companies on a standard tape format could be the first step.

Until a pattern of standardisation emerges, however, it is likely that many consumers and rental companies will approach video recorders with considerable caution.

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Extracts from Chloride Group results for year ended 31 March 1978

		1976-77 Full year	1977-78 1st half	1977-78 2nd half	**1977–78 Full year**
THIRD PARTY SALES	£m	260	134	172	**306**
PROFIT BEFORE TAX	£m	26·4	7·3	17·8	**25·1**
PROFIT ATTRIBUTABLE	£m	14·8	3·4	11·2	**14·6**
EARNINGS PER SHARE (after tax)		13·4p	2·7p	8·9p	**11·6p**

Copies of the Annual Report and Accounts will be available from the Secretary, Chloride Group Limited, 52 Grosvenor Gardens, London SW1 0AU after 6 July 1978.

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This was mainly due to a poor first half year.

However, as our table shows, we recovered so strongly in the second half, that we nearly equalled last year's record profits.

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PARLIAMENT AND POLITICS

Peyton pledges Tory support for hard-line fishing policy

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A REMARKABLE toughening of the Conservative Party's approach towards Common Market fisheries policy negotiations was outlined in the Commons yesterday by Mr. John Peyton, Tory spokesman on agriculture and fishing.

He fully supported the hard line taken in the negotiations by Mr. John Silkin, Minister of Agriculture, and called for a bi-partisan policy by Labour and Conservatives on the matter.

He also warned the EEC Commission that it should not expect a future Conservative Government to take a softer line towards a Common Fisheries' Policy than the one adopted by the Labour Government.

Matters had now come to a head, said Mr. Peyton. If Britain could not get an adequate agreement with the EEC, we should unilaterally introduce strict measures to tighten up conservation of fish stocks within our home fishing grounds.

His remarks follow the warning given to Britain on Wednesday by Mr. Olav Gundelach, the EEC's fisheries Commissioner, who made it clear that there would be no more major concessions to Britain on fishing policy.

Speaking in Strasbourg, the Commissioner warned that any attempts by member countries to bypass the Community and seek bilateral fishing agreements with third countries would be taken up immediately in the European Court of Justice.

Mr. Gundelach's remarks had been aimed at the visit which Mr. Silkin will make later this month to meet Mr. Evenson, the Norwegian Fisheries' Minister, to discuss matters of mutual interest. Next week, the Minister goes to Luxembourg for a Council of Ministers' meeting on fisheries' policy.

Commenting on Mr. Gundelach's recent visit to London, Mr. Peyton declared: "It does not appear that he brought anything very useful with him, or showed very much concern as to what opinion might be expressed in this debate.

"Certainly, as far as I know, he has done nothing to modify the proposals which have previously come from the Commission, and which I and my right honourable friends regard as totally unacceptable for us in this House."

Mr. Peyton said that a settlement was needed which the British fishing industry could live with. Failing this, we would have to introduce a strict set of measures to conserve our stocks.

These measures would be taken against all outside countries and would not be discriminatory. Therefore, there could be nothing illegal about them so far as the EEC was concerned. A regime of comprehensive conservation would show to all concerned that we were in earnest.

He proposed that under such a regime there would be licensing of fishing-boats and even of skippers. The "pout box areas"—where the fishing of Norwegian pouts is prohibited—should be enlarged and the fishing of breeding grounds should be very considerably restricted.

There should also be strict control of the purse seining method of trawling and of industrial fishing.

Mr. Peyton said that both major parties had to show themselves determined and united to make it clear that it would be wiser to cherish fishing-stocks rather than to loot them. He wished Mr. Silkin well in the negotiations and hoped that he would bring back a settlement acceptable to both sides of the House.

Although he did not share the anti-Market views attributed to Mr. Silkin, nobody should take that to mean that a Tory Government would accept a shabby deal from Europe. The Minister could rely on Conservative support so long as he resisted demands that were regarded as unreasonable and intrusive.

Mr. James Johnson (Lab., Hull W.) said that suggestion of an EEC fleet to enforce fishery protection laws should be rejected.

He wanted financial aid for the fishing industry. "If it is good enough for the Government to give millions to car workers and others, it is not impossible to find £500m for fishermen who are in this serious plight."

Mr. Jo Grimond (L Orkney and Shetland) said that the Government had the total support of the Commons in saying that the present Common Market attitude on fishing was intolerable.

He hoped that licences would first be given to local boats and, after that, to traditional customers of fishing in those areas where there was to be licensing.

He viewed with considerable alarm a rumour that licences would be able to be bought and sold.

Mr. Robert Hughes (Lab. Aberdeen N) said that if no progress was made in EEC talks next week, the Government should be asked for its backing "to disrupt the whole day to day business of the Common Market unless they show some appreciation of our essential interests."

Mr. Hamish Watt (SNP Banff) referred to the "totally unsatisfactory" situation in the industry where British fishermen were prepared to carry out conservation measures, while our EEC partners were fishing "all out" and indiscriminately.

There would be no solution to the fishing problem until Britain had nothing less than a 50 mile exclusive zone for its boats.

Mr. Michael Brotherton (C Louth) said that all parties were agreed on a 50 mile limit "to have complete control over our own resources."

Mr. John Silkin, Agriculture Minister, said eventual exclusive access to fishing grounds within 12 miles of our shores was top priority.

We also wanted what he described as "a sea-lion's share of growth" within 12-50 miles.

"I believe those who provide the waters should have some preferential bias when they drop their nets in the sea.

"Those who talk of a 50-mile exclusive limit I do not think literally mean exclusive. As I see it that would give us fishing rights in Norwegian waters and Norway fishing rights in our waters."

Mr. Silkin left MPs in no doubt that if there is no agreement when EEC Fisheries Ministers meet in Luxembourg next week, Britain is ready to take unilateral action.

He hoped the EEC Commission and Council of Ministers would take the necessary action on conservation.

He warned that unilateral measures would have to agree with scientific evidence, be non-discriminatory and necessary if they were to meet the EEC's legal requirements.

"The best thing—provided it is on the right terms—would be to get agreement. But I am not hopeful of an early settlement." His officials would be working on what measures might be necessary if there was no agreement.

"What ever may happen we are prepared to treat flexibly any sensible, realistic approach which is made to us. I shall go to Luxembourg on Monday in the knowledge that the House is behind me in demanding a fair deal for British fishermen."

Speaker halts attack on Tory chairman

LABOUR MP Mr. Jeff Rooker (Perry Barr) was yesterday ordered to withdraw allegations that Conservative Party chairman, Lord Thorneycroft, as chairman of Pirelli, had been involved in illegal price fixing, "ripping off millions of pounds" from the Post Office.

After repeated and noisy complaints from Tory backbenchers in the Commons, the Speaker, Mr. George Thomas, ruled that such an attack on Lord Thorneycroft's honour was out of order.

But it was only after a direct order from the Speaker that Mr. Rooker finally capitulated, with the rider, "I think the point has been made." Usually, MPs withdraw after a "suggestion" or "invitation" from the chair.

There were complaints from Labour MPs, including the Prime Minister, that Mr. Rooker was only quoting from a motion he had been allowed to put down on the Order Paper.

Mr. Thomas said that the motion accused the company rather than Lord Thorneycroft himself.

Mr. Rooker had asked the Leader of the House (Mr. Foot) to "find time next week for a short debate on my motion so that Labour MPs can have the opportunity of inviting the Leader of the Opposition to dismiss the chairman of the Conservative Party—who, in his other capacity outside this House, as chairman of Pirelli—has been involved in an illegal price-fixing ring, ripping-off millions of pounds to the Post Office and is now being forced to pay it back."

The Speaker challenged: "Were you referring to a member of the House of Lords? If you were, it is as much out of order to criticise a peer as it is an MP."

Mr. Thomas explained that when and if the motion was debated Mr. Rooker could make such references, but not until then. There were immediate demands from Tory backbenchers for Mr. Rooker to withdraw his allegation, and after being directed to back down by the Speaker, the Labour MP did so.

Premier offers hope on differentials

THE PRIME MINISTER said in the Commons yesterday that the Government hoped to give a "better show" to differentials in the next pay round than they had had his year.

Mr. Callaghan told Mrs. Margaret Thatcher, Opposition leader, that it was the Government's job to ensure a balance between the level of wages and the level of inflation. She should say one day that she regarded the overcoming of inflation as the number one priority.

Mrs. Thatcher accused the Prime Minister of preferring that 8,000 ICI workers on Teesside should be laid off rather than let the company pay higher wages to its skilled employees.

"Will you accept that your policy of depressed wages for skilled workers and high tax for all is leading directly to unemployment?" she demanded.

Mr. Callaghan said there had been a large increase in training for skilled workers since the Government came to power. One day, Mrs. Thatcher would recognise there was a relationship between inflation and holding back wages.

Mrs. Thatcher again pressed Mr. Callaghan to say whether ICI would be allowed to pay more to keep its skilled workers or whether it would be blacklisted for doing so.

The Prime Minister replied that Mrs. Thatcher was departing from any proposals for having reasonable restraint on pay. "In that case there would be a serious return to inflation.

"That is something we have to balance. It is the responsibility of the Government to try to get a proper balance between differentials and restraint on pay."

Mr. Ian Wrigglesworth (Lab., Thornaby) said that if Mrs. Thatcher consulted some of the Teesside workers she would find there was no glib answer to the problem.

ICI was able to keep only one out of every six instrument artificers it trained. Others went to countries like Saudi Arabia and Norway, attracted by salaries of £10,000 or £20,000 a year. No pay policy could match that.

Mr. Michael Latham (C., Melton) suggested that the Government's policy for a fourth pay round was "to find out what the unions want and then give it."

Mr. Callaghan replied "it is the wisest thing to hear what the annual conferences of the unions have to say about these matters." The Government would find out what the unions' attitudes were and then reach its conclusions.

All-party MPs put new plan for Bridge St.

BY RUPERT CORNWELL, LOBBY STAFF

AN ALL-PARTY committee of MPs has come up with a new plan for the redevelopment of the Bridge Street site opposite Big Ben. It is an attempt to solve once and for all the problem of lack of accommodation and facilities for Westminster's 635 MPs.

The chances of the new scheme, put forward by the Commons Services Committee, ever seeing the light of day should be judged by the fact that it is the sixth in the last 23 years.

But unlike some of the grandiose visions of the past—which have involved flattening the Treasury and the Foreign Office among other local landmarks—the latest proposals have the merit of being flexible, comparatively cheap, and designed to be carried out in several phases.

At present, the fronting opposite Big Ben and New Palace Yard consists of cheap catering stalls, tobacconists' and undistinguished souvenir shops.

Under the new scheme buildings "of real quality" would be retained and restored, the committee says. The rest would be replaced. The man the MPs want for the design work is Sir Hugh Casson, President of the Royal Academy of Arts.

The committee wants a comprehensive scheme drawn up urgently and then submitted to the House for its approval. After that, work should start as soon as possible, perhaps as early as 1981.

The report acknowledges that Bridge Street is one of the most sensitive sites in London, adjoining the Palace of Westminster, "the most famous and best loved building in the modern world."

No scope is seen for extending facilities within the existing premises. "Every possible flat roof has temporary huts upon it, and the poor working conditions may well start to deter potential staff from seeking work there."

The report adds: "The time is not long away when every MP will require the same standard of facilities which already exist in other legislatures." This meant that several hundred extra rooms would be needed.

At present, only 60 MPs have single rooms at Westminster.

Guessing game goes on

By John Hunt

THE GOVERNMENT kept up the guessing game over continuation of dividend controls when the matter was raised again in the Commons by Mrs. Margaret Thatcher, Leader of the Opposition yesterday.

The controls, which have been in operation for nearly six years, are due to run out at the end of next month unless Government legislation is introduced to renew them.

During questions on Government business, Mrs. Thatcher asked Mr. Michael Foot, Leader of the House, if the Government had taken a decision to reintroduce dividend restraint and if a Bill to that effect was going to be brought forward.

Mr. Foot: "This is a matter on which I think we should see how we proceed. We haven't got any proposals for bringing such a Bill forward at the moment."

The subject was raised again later by Mr. Norman Tebbit (Con. Chingford). Mr. Foot told him: "I haven't a statement to make now."

Investment surcharge change accepted

BY IVOR OWEN, PARLIAMENTARY STAFF

TRUSTEES HOLDING shares under approved schemes established as a result of the profit-sharing provisions in the Finance Bill are to be relieved from investment income surcharge and capital gains tax for up to 18 months.

An amendment embodying this concession was written into the Bill last night when it was further considered by a Commons standing committee.

Mr. Joel Barnett, Chief Secretary to the Treasury, explained that during the ordinary operation of a profit-sharing scheme, the trustees might find it necessary to hold scheme shares for some while before they were appropriated to the individual participants.

The Government believed that in such circumstances it would be quite wrong that the trustees should be liable for the investment income surcharge which was levied on income accumulated in discretionary trusts, or to capital gains tax on the increase in share values during that period.

Mr. Barnett said that the Government agreed with Mr. John Pardoe (L Cornwall N) that there must be some limit to the length of time during which the trustees could hold the shares without becoming liable. An 18-months period seemed reasonable.

Tory MPs sought to extend the tax incentives which will come into operation next April to encourage participation in approved profit-sharing schemes.

While welcoming the introduction of the schemes, they argued that they owed more to the Government's need to provide a sop to the Liberals under the Lib-Lab pact than any genuine conversion to wider capital ownership.

Fears over Assembly control of fire service

THE POSSIBILITY of interpreters having to travel on Welsh fire engines when Welsh-speaking firemen had to team up with their English speaking colleagues, was raised by a Tory peer in the Lords yesterday.

On the third day of the committee stage of the Wales Bill several Tories were concerned at the plan to hand over control of the fire service in Wales to the planned Welsh Assembly

They wanted control of firemen's training schools and the brigade's equipment to stay with Westminster.

Opposition spokesman Viscount Long was worried about what might happen if Welsh-speaking firemen using Welsh equipment, had to work in an emergency with English speaking firemen using English equipment.

In these circumstances, Welsh crews would need to include an interpreter to make sure each team knew what the other was doing, said Lord Long.

Two Welsh fire cadets had already refused to speak English and he feared that giving control of training schools to the Assembly might encourage this trend.

Home Office Minister of State Lord Harris of Greenwich, said the language barrier was likely to be a problem in the future whether or not devolution went ahead. But fire officers in neighbouring border counties would continue to co-operate closely.

To deny the Assembly these powers would risk interfering with its ability to run the fire service efficiently and effectively.

The Conservatives did not press their proposal.

Free milk call to councils

THE PRIME MINISTER yesterday backed the campaign by the National Dairy Council to make sure all local authorities introduce free school milk schemes for seven to 11 year-olds.

Mr. Mike Noble (Lab. Rossendale) claimed in the Commons that Tory authorities might not operate the scheme announced by the Chancellor (Mr. Healey) in the April budget.

"This is a much better use of public funds that the tax cuts pushed through by the original milk-snatcher (Mrs. Thatcher) and her friends," he added.

Next week's business

COMMONS debates next week are:

MONDAY: Debate on Royal Navy; Domestic Proceedings and Magistrates' Courts Bill, Lords amendments.

TUESDAY: Northern Ireland orders.

WEDNESDAY: Debate on housing; Parliamentary Pensions Bill, second reading.

THURSDAY: Scottish and Welsh debates.

FRIDAY: Homes Insulation Bill, and Iron and Steel (Amendment) Bill, remaining stages.

LORDS business is:

MONDAY: Debate on unemployment.

TUESDAY: Electricity Bill, and National Health Service Bill, second readings; Scotland Bill, report; Protection of Children Bill.

WEDNESDAY: Wales Bill, Theatres Trust Bill, Nuclear Safeguards and Electricity (Finance) Bill, committee stages.

THURSDAY: Adoption Bill, second reading; Wales Bill, committee; Consumer Safety Bill, second reading; Home Purchase Assistance and Housing Corporation Guarantee Bill, committee.

FRIDAY: Wales Bill, committee.

Tory MP seeks action

EVACUATION of London hospitals if a strike by maintenance men goes ahead next week must result in many deaths, Mr. David Crouch (C. Canterbury) said in the Commons yesterday.

He challenged the Government on action over the threatened closure of twelve London teaching hospitals if the strike by members of the Electrical, Electronic, Telecommunications and Plumbing Union, scheduled to go ahead on Sunday night, takes place.

"The evacuation of some of these major teaching hospitals, with about 1,000 patients each, must result in many deaths," he argued. There should be a Commons statement by Mr. David Ennals, Social Services Secretary,

Benn backs Select Committees

FINANCIAL TIMES REPORTER

A CALL for Parliamentary Select Committees to be set up for every Government department was made yesterday by Anthony Wedgwood Benn, Secretary for Energy.

"The Select Committee has proved its worth, especially in the fields of science and technology, the nationalised industries, public expenditure and public accounts," he said.

Giving the annual Jubilee lecture at Imperial College, London, Mr. Benn also called for a development in industrial democracy and workers' self-management, "to permit the sharing of power and responsibility at national level and at all places of work in industry."

LABOUR NEWS

Blastfurnacemen accept plan to end stoppage

BY ROBIN REEVES, WELSH CORRESPONDENT

A MASS meeting of Llanwern blastfurnacemen yesterday agreed to a union peace plan for ending their two-and-a-half-week-old dispute which has shut the giant BSC steelworkers and resulted in 4,900 other steelworkers being laid off.

But the signs were that a return to work might finally hinge on BSC's management accepting an increase in manning levels on the Llanwern number three furnace—the biggest in Britain—where the dispute orginally started.

Negotiations continued at BSC's headquarters in London yesterday evening. The blastfurnacement agreed to meet again at noon today to hear the outcome of last night's talks.

Mr. Bill Booth, the local blastfurnacemen's leader, said the meeting had agreed that there should be no guarantee to work overtime as part of a return to work settlement. At a time of high unemployment, it was ridiculous to require men to work overtime, he said.

BSC may say that the 5,000 tonnes a day furnace can still operate effectively with its normal manning of 100 blastfurnacemen and without overtime. It seems the furnace was closed down and the men laid off in the first place because an overtime ban was preventing repair of the tilting trough—a routine but essential piece of maintenance.

An agrement to do this repair in normal hours rather than designating it an overtime job could resolve the difficulty.

Resentment

On the associated claim for an extra £8 a week in exchange for new manning arrangements, Mr. Booth said the meeting had agreed this should be handled through "normal procedures." Prior to the stoppage, BSC was prepared to offer only £1 extra a week.

At their meeting, blastfurnacemen voiced resentment at the outside pressure for a settlement exerted by other unions. Before leaving for London, to meet BSC management, together with Mr. Hector Smith, general secretary of the National Union of Blastfurnacemen, Mr. Booth also hit out at other steel union leaders, who have criticised the blastfurnacemen's action. Mr. Both said: "When we want their advice, we will ask for it."

Too many volunteers for redundancy

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

APPLICATIONS for voluntary redundancy and early retirement at Massey Ferguson's tractor plant in Coventry are posing problems for the company.

The Canadian multi-national called for a cut of 900 manual jobs and around 1,500 employees have already asked to leave. But the workers wanting to leave are not necessarily in areas where economies are sought.

The company said last night that it would be impossible to meet all the requests but that compulsory redundancies would now be kept to a minimum.

Under the terms offered by Massey, some employees opting for early retirement can expect about £9,000 in severance pay. Most will collect between £3,000 and £5,000.

Unemployment in Coventry at 5.9 per cent. is higher than both the regional and national averages.

Skilled workers can expect to find another job easily but many of those leaving the tractor plant will find fierce competition for unskilled vacancies.

Massey is cutting the 4,700-strong manual work force in Coventry by 20 per cent because of the fall in world demand for tractors.

The trade unions, supported by local Members of Parliament, are seeking a meeting with Government ministers to press for improved export credit facilities to stimulate tractor sales overseas.

At BL Cars, fears are growing that the strike which has halted all Rover production at the Solihull plant, Birmingham, could be prolonged.

The 80 external drivers who walked out in protest at the sacking of a shop steward are not due to meet until next Thursday. More than half the 6,000 assembly workers are already laid off. The numbers made idle by the dispute are expected to increase rapidly.

All production of Rover saloons, Land-Rovers and Range Rovers is at a standstill. Lost output at showroom prices is worth around £3m a day.

ACAS defers Aiton recognition decision

BY OUR LABOUR CORRESPONDENT

THE Advisory, Conciliation and Arbitration Service has again deferred a decision on whether the Engineers and Managers Association should be granted recognition at Aiton, a Derby engineering firm.

One factor in the decision is the High Court action against the service by the United Kingdom Association of Professional Engineers on which judgment is pending. Similar principles are likely to be raised by both cases.

ACAS has not yet produced a draft report on the Aiton claim. It has been suggested, however, that the managers' association has about 70 per cent support in the area which it wants to organise.

It is not party to the engineering industry's national agreements, though, and in cases like that of the U.K. Association of Professional Engineers, ACAS has decided that possible disruption of existing arrangements should be taken into account when making recognition recommendations.

Mr. John Lyons, general secretary of the managers' association, said yesterday that be believed the deferral on Aiton suggested that ACAS was becoming "increasingly unsure of itself" on recognition issues.

Callaghan to address conference on wages

BY OUR LABOUR CORRESPONDENT

THE Prime Minister will be able to outline the Government's thinking on pay policy after Phase Three expires to a wide trade union audience later this month.

Mr. Callaghan has accepted an invitation to address the Confederation of Shipbuilding and Engineering Unions conference at Eastbourne on June 30.

The confederation is made up of 19 unions, including several of the biggest in the country.

It is expected that the conference will endorse the claim for a new national minimum skilled rate of £80 per week approved by the Amalgamated Union of Engineering Workers national committee in May.

The agenda also includes motions condemning Government interference in wage bargaining and any further extension of the social contract "either by tripartite agreement or unilateral Government declaration."

Murray assurance on pay

BY CHRISTIAN TYLER, LABOUR EDITOR

ANOTHER assurance that unions would bargain "responsibly" although formally disregarding any imposed limit on wage rises in the next negotiating round, came yesterday from Mr. Len Murray, TUC general secretary.

Trade unions had taken the lead between 1975 and last year in "restoring reality to the pay packet" and reducing the rate of inflation by their sacrifices.

"Now commonsense tells us that we must not slip back," Mr. Murray told the Scarborough conference of the Furniture, Timber and Allied Trades Union.

"There is no question of a return to the stringent incomes policies of 1975 to 1977, justified though these were at the time.

"Responsible voluntary collective bargaining is a condition of the rise in real living standards which we want and which is in prospect."

The Government wants to keep the rise in earnings to about 7 per cent — half the expected Stage Three figure—in the next round.

But the Prime Minister told the Commons this week that Government proposals for Stage Four would not be put forward until the end of the union conference season — that is, after the Miners' and Railwaymen's conferences in the first half of next month and Stage Three expires on July 31.

In Inverness, the Scottish miners' conference, meeting a fortnight before the conference of the national union, called unanimously for a wage of £135 a week for the top-rated coalface workers, and for an end to incentive payments.

They demanded that bonus payments and other supplements be added to the £80-a-week basic rate from November this year.

Mr. Mick McGahey, Scottish area president of the National Union of Mineworkers, said: "If it is true that this demand is for an increase between 75 and 80 per cent in miners' wages, it proves we have been too low for too long."

The assault on wages in two weeks' time will be led by the Yorkshire area, which has tabled a resolution for £130 a week, and supported by South Wales and Scotland.

These three big Left-wing areas are still smarting from what they feel was the unconstitutional behaviour of the Right-wing executive in reversing a ballot rejection of incentive payments.

The Left's calls for proportional representation on the NUM executive — which would be in its favour—were answered yesterday by Mr. Ken Toon, South Derbyshire area secretary, who said that if his seat was taken away his and other moderate areas would seriously consider breaking away from the union.

Ministers and unions to discuss bid by Tenneco

By Alan Pike, Labour Correspondent

UNION LEADERS are to see prices and industry ministers next week to discuss their concern about possible implications of a take-over of Albright and Wilson by Tenneco.

Albright and Wilson shareholders are being recommended to accept the latest offer from the U.S. group. Union officials are concerned that the bid may conflict with the Government's industrial strategy and that it may not be in the national interest.

They are also coming under pressure from members to seek a Government inquiry.

Mr. Roger Lyons, a national official of the Association of Scientific, Technical and Managerial Staffs, said yesterday that there was no urgency about the bid and time was, therefore, available for an inquiry.

All the issues could then be examined thoroughly and a rational decision taken.

Staff letter

Last night, Mr. Lyons and the other union leaders met Mr. David Livingstone, managing director of Albright and Wilson, and a senior Tenneco executive to discuss the bid.

All employees of Albright and Wilson and its subsidiaries yesterday received a letter from Mr. J. L. Ketelsen, president of Tenneco, which reminded them that the American organisation was no stranger to either the company or to Britain.

Apart from its existing holding in Albright and Wilson, other Tenneco companies employ more than 9,000 people in Britain.

Mr. Ketelsen assured employees that existing conditions of employment would continue and that he welcomed and supported the "participative and consultative style of management" being encouraged by Albright and Wilson.

"Tenneco have already made representations to the Government and it is right and proper that the trade unions, for example, should also make their views known.

"Of course, the Tenneco offer to shareholders is subject to necessary approvals of the U.K. Government but, assuming that these approvals are not withheld, I am sure we can build up a prosperous future."

Bid to stop hospital action

By Pauline Clark, Labour Staff

MR. DAVID ENNALS, Health Minister, was last night meeting hospital electricians' leaders in an effort to avert a countrywide programmes of industrial action from next Monday over a pay claim.

Some of Britain's biggest hospitals, including several of London's leading teaching hospitals, were yesterday making contingency plans.

The plans are meant to try to reduce as far as possible the impact of selective action planned by leaders of 6,500 health service electricians and plumbers in the Electrical and Plumbing Trades Union.

Last night's meeting at the House of Commons was the second to take place between the union and Ministers in less than a week.

Talks with Mr. Ennals and Mr. Albert Booth, Employment Secretary, last week resulted in an offer to try to introduce more hospital incentives scheme to raise electricians' earnings. But this was seen as not firm enough to merit calling off the planned programme of strikes and work-to-rules.

The pay dispute has been outstanding since January when a Phase Three settlement for the electricians became due. It centres on a claim for parity with like workers in the private electrical contracting industry.

The union claims that the Government has failed to keep a promise made in 1972 to maintain parity between the two groups until a satisfactory pay structure is worked out for the health service electricians.

Phases One and Two of Government pay policy kept the hospital electricians' pay in line with that of the contracting industry until the end of last year.

COMPANY NOTICES

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
(Incorporated in the Republic of South Africa)

NOTICE TO HOLDERS OF ORDINARY SHARE WARRANTS TO BEARER PAYMENT OF COUPON No. 89

With reference to the notice of declaration of dividend advertised in the Press on 6th June, 1978, the following information is published for the guidance of holders of share warrants to bearer.

The dividend of 25 cents per share was declared in South African currency. South African non-resident shareholders' tax at 2.77457 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 22.22543 cents per share.

The dividend on bearer shares will be paid on or after 28th July, 1978, against surrender of coupon No. 89 detached from share warrants to bearer as under:—

(a) At the offices of the following continental paying agents:
Credit du Nord, 6-8 Boulevard Haussmann, Paris 9e.
Bank Bruxelles Lambert, 2 Rue de la Regence, 1000 Brussels.
Societe Generale de Banque, 3 Montagne du Parc, 1000 Brussels.
Swiss Bank Corporation, 1 Aeschenvorstadt, Basle 4002.
Banque Internationale a Luxembourg SA, 2 Boulevard Royal, Luxembourg.
Union Bank of Switzerland, Bahnhofstrasse 45, Zurich.

Payments in respect of coupons lodged at the office of a Continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the Continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the Continental paying agent concerned.

(b) At the London Bearer Reception Office of Charter Consolidated Limited, 40, Holborn Viaduct, London EC1P 1AJ. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged prior to 14th July, 1978 at the United Kingdom currency equivalent of the rand currency value of their dividend on 18th July, 1978 or
(ii) in respect of coupons lodged during the period 14th July, 1978 to 19th July, 1978, both days inclusive, at the United Kingdom currency equivalent of the rand currency value of their dividend on 24th July, 1978 or
(iii) in respect of coupons lodged on or after 20th July, 1978 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the London Bearer Reception Office.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments in United Kingdom currency in respect of coupons deposited at the London Bearer Reception Office, unless such coupons are accompanied by Inland Revenue declarations. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 16.50001 cents per share arrived at as under:—

	South African Currency Cents per Share
Amount of dividend declared	25.00
Less: South African non-resident Shareholders' tax at 11.0983%	2.77457
	22.22543
Less: UK income tax at 22.9017% on the gross amount of the dividend of 25 cents	5.72542
	16.50001

Should the amendment to the UK Finance Bill reducing the basic rate of UK income tax to 33% be sustained and enacted before the payment date of the dividend a further notice will be published amending the above figures.

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED.
J. C. Greensmith

London Office:
40, Holborn Viaduct,
EC1P 1AJ.
15th June, 1978.

Note:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 22.9017% instead of the basic rate of 34% represents an allowance of credit at the rate of 11.0983%.

AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa)

NOTICE TO HOLDERS OF PREFERENCE STOCK WARRANTS TO BEARER

PAYMENT OF COUPON No. 61

With reference to the notice of declaration of dividend advertised in the Press on 5th June 1978, the following information is published for the guidance of holders of stock warrants to bearer:

The dividend of 3 cents per unit of stock was declared in South African currency. South African non-resident shareholders' tax at 0.45 cents per unit of stock will be deducted from the dividend payable in respect of all stock warrant coupons, leaving a net dividend of 2.55 cents per unit of stock.

The dividend on bearer stock will be paid on or after 10th August, 1978 against surrender of coupon No. 61 detached from the stock warrants to bearer as under:—

(a) At the office of the following continental paying agent:
Credit du Nord, 6-8 Boulevard Haussmann, Paris 9e.
In respect of coupons lodged at the office of the continental paying agent the dividend payment will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made must be given to such authorised dealer by the continental paying agent concerned.

(b) At the London Bearer Reception Office of Charter Consolidated Limited, 40, Holborn Viaduct, London EC1P 1AJ. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged prior to 4th August, 1978 at the United Kingdom currency equivalent of the rand currency value of their dividend on 8th August, 1978 or
(ii) in respect of coupons lodged during the period 4th August, 1978 to 9th August, 1978 both days inclusive at the United Kingdom currency equivalent of the rand currency value of their dividend on 14th August, 1978 or
(iii) in respect of coupons lodged on or after 10th August, 1978 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the London Bearer Reception Office.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from coupons paid in United Kingdom currency at the London Bearer Reception Office unless such coupons are accompanied by Inland Revenue declarations. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 1.98 cents per unit of stock in terms of sub-paragraph (b) above arrived at as under:

	South African Currency Cents per Unit of stock
Amount of dividend declared	3.00
Less: South African Non-Resident Shareholders' tax at 15%	0.45
	2.55
Less: UK income tax at 19% of the gross amount of the dividend of 3 cents	0.57
	1.98

Should the amendment to the UK Finance Bill reducing the basic rate of UK income tax to 33% be sustained and enacted before the payment date of the dividend a further notice will be published amending the above figures.

For an on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED.
London Secretaries
J. C. Greensmith.

London Office:
40, Holborn Viaduct,
EC1P 1AJ.
15th June, 1978.

Note:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the South Republic of South Africa, the South African non-resident shareholders tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 19% instead of at the basic rate of 34% represents an allowance of credit at the rate of 15%.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
(Incorporated in the Republic of South Africa)

NOTICE TO HOLDERS OF PREFERRED STOCK WARRANTS TO BEARER PAYMENT OF COUPON No. 99.

With reference to the notice of declaration of dividend advertised in the Press on 5th June, 1978, the following information is published for the guidance of holders of stock warrants to bearer.

The dividend of 3% (3 cents) was declared in South African currency. South African non-resident shareholders' tax at 0.33295 cents per share will be deducted from the dividend payable in respect of all share warrant coupons, leaving a net dividend of 2.66705 cents per share.

The dividend on bearer shares will be paid on or after 21st July, 1978, against surrender of coupon No. 99 detached from stock warrants to bearer as under:

(a) At the office of the following continental paying agent.
Credit du Nord, 6-8 Boulevard Haussmann, Paris 75009.
Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the London Bearer Reception Office of Charter Consolidated Limited, 40 Holborn Viaduct, London EC1P 1AJ. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged prior to the 7th July, 1978 at the United Kingdom currency equivalent of the rand currency value of their dividend on 11th July, 1978, or,
(ii) in respect of coupons lodged during the period 7th July to 12th July, 1978 both days inclusive at the United Kingdom currency equivalent of the rand currency value of their dividend on 17th July 1978 or;
(iii) in respect of coupons lodged on or after 13th July, 1978 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the London Bearer Reception Office.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments in the United Kingdom currency in respect of coupons deposited at the London Bearer Reception Office, unless such coupons are accompanied by Inland Revenue declarations. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 1.98 cents per share in terms of sub paragraph (b) above arrived at as under:

	South African Currency Cents Per Share
Amount of dividend declared	3
Less: South African non-resident shareholders' tax at 11.0983%	0.33295
	2.66705
Less U.K. income tax at 22.9017% on the gross amount of the dividend of 3 cents	0.68705
	1.98

Should the amendment to the U.K. Finance Bill reducing the basic rate of U.K. income tax to 33% be sustained and enacted before the payment date of the dividend a further notice will be published amending the above figures.

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED.
J.C. Greensmith

London Office:
40 Holborn Viaduct,
EC1P 1AJ.
15th June, 1978.

Note:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 22.9017% instead of the basic rate of 34% represents an allowance of credit at the rate of 11.0983%.

SCHLESINGER INTERNATIONAL FUND (LUXEMBOURG) S.A.
société anonyme

Registered Office:
LUXEMBOURG, 14, rue Aldringen

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of SCHLESINGER INTERNATIONAL FUND (LUXEMBOURG) S.A. will be held at its registered office at Luxembourg, 14, rue Aldringen, on July 3rd, 1978 at 11.30 a.m. for the purpose of considering and voting upon the following matters:
1. To hear and accept the reports of:
a. The directors
b. The statutory auditor.
2. To approve the balance sheet and profit and loss account for the year ended March 31st, 1978.
3. To discharge the directors and the auditor with respect to their performance of duties during the year ended March 31st, 1978.
4. To elect the directors to serve until the next annual general meeting of shareholders.
5. To elect the auditor to serve until the next annual general meeting of shareholders.
6. Any other business.

The shareholders are advised that no quorum for the statutory meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting, with the restriction that no shareholder either by himself or by proxy, can vote for a number of shares in excess of one-fifth of the shares issued or two-fifths of the shares present or represented at the meeting.

In order to take part at the statutory general meeting of July 3rd, 1978 the owners of bearer shares will have to deposit their shares five business days before the meeting at the registered office of the Fund, 14, rue Aldringen, Luxembourg, or with the following bank:
—Banque Générale du Luxembourg, S.A.

LUXEMBOURG.
The Board of Directors.

ANGLO AMERICAN GOLD INVESTMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa)

INTERIM DIVIDEND

Interim dividend No. 61 of 100 cents a share (1977: 80 cents) for the fourteen month period ending February 28 1979 has been declared payable to shareholders registered in the books of the company at the close of business on June 30 1978 and to persons presenting coupon No 61 marked "South Africa" detached from share warrants to bearer.

The transfer registers and registers of members will be closed from July 1 to July 14 1978, both days inclusive and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about August 3 1978. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on July 25 1978 of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the company's transfer secretaries on or before June 30 1978.

The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which can be inspected at the head and London offices of the company and at the offices of the company's transfer secretaries, Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001, and Charter Consolidated Limited, P.O. Box 102, Charter House, Park Street, Ashford, Kent TN24 8EQ.

Holders of share warrants to bearer are notified that the dividend is payable on or after August 4 1978 upon presentation of coupon No 61 (marked "South Africa") only at the offices of Barclays National Bank Limited, Stock Exchange Branch, corner Main and Sauer Streets, Johannesburg 2001, South Africa—Union Bank of Switzerland, Bahnhofstrasse 45, Zurich, Switzerland—Credit du Nord, 6 & 8 Boulevard Haussmann, Paris 9e, France and Banque Bruxelles Lambert, 2 Rue de la Regence, 1000 Brussels, Belgium.

Coupons must be left at least four clear days for examination.

Note: Proceeds of dividends in respect of coupons marked "South Africa" may, at the request of the depositors, be converted through an authorised dealer in exchange in the Republic of South Africa, into any currency. The effective rate of exchange for conversion into any such currency will be that prevailing at the time the proceeds of the dividends are deposited with the authorised dealer in exchange.

INTERIM REPORTS

Following on the decision to change the financial year end to the last day of February, a report on the results of the company for the eight months ending on August 31 1978 will be issued to members towards the end of September 1978. This report will replace any statutory interim reports which the company might otherwise be required to issue during the current financial period of 14 months to February 28 1979, and will contain information comparable with the interim report for the six months ended June 30, 1977.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per H. J. E. Stanley
Companies Secretary.

Head Office:
44 Main Street
Johannesburg 2001
London Office:
40 Holborn Viaduct
EC1P 1AJ

16th June 1978.

RHYTHM WATCH CO. LTD.

(Rhythm Tokei Kogyo Kabushiki Kaisha)
NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS ("EDRs") EVIDENCING SHARES OF COMMON STOCK OF THE ABOVE-NAMED COMPANY ("SHARES")

Notice is hereby given to EDR holders that the Annual Meeting of Shareholders of Rhythm Watch Co. Ltd., will be held at 10 a.m. (Tokyo time) on Tuesday 27th June, 1978, at the Head Office of the Company, 27-7 Taito 2-chome, Taito-ku, Tokyo, to transact the following business:—
1. To approve the Company's financial statements for the 52nd period (from 1st April, 1977, to 31st March, 1978).
2. To amend the Articles of Incorporation of the Company as follows:—
Article 1: To insert the following sentence:
"The Company's official name in English shall be 'Rhythm Watch Co. Ltd.'"
Article 5: To increase the number of Shares authorised to be issued by the Company from 100 million to 200 million.

Copies of the financial statements for the 52nd period are available for inspection during normal business hours on any weekday (Saturdays and Bank Holidays excepted) at the office of the Depositary, Kleinwort, Benson Limited, 20, Fenchurch Street, London, EC3P 3DB, or at the office of the Agent, Banque Internationale à Luxembourg S.A., 2 Boulevard Royal, Luxembourg.

EDR holders wishing to vote at the meeting should instruct the Depositary in writing by the close of business in London on 23rd June, 1978, as to how they wish to vote. Instructions must be accompanied either (i) by EDRs evidencing the relevant number of deposited Shares in respect of which they wish to exercise their voting rights or (ii) by a certificate from the Agent (or from another Bank approved by the Depositary) stating that the relevant EDRs have been deposited with it and are to be held in a blocked account until after the voting rights attributable to such EDRs have been exercised.

KLEINWORT, BENSON LIMITED,
Depositary.

June 1978.

THE COMMERCIAL BANK OF THE NEAR EAST LIMITED

NOTICE IS HEREBY GIVEN that the Fifty-sixth Annual General Meeting of this Company will be held at its Registered Office, 107-112, Leadenhall Street, London EC3A 4AE, on Monday, 7th July, 1978, at 11 a.m., for the following purposes:—
1. To receive and adopt the Directors' Report and Accounts for the year ended 31st December, 1977.
2. To declare a dividend.
3. To re-elect the retiring directors.
4. To re-appoint the retiring Auditors and to authorise the Directors to fix the remuneration of the Auditors for the current financial year.
5. To transact the business of an Ordinary General Meeting.

Any member of the company entitled to attend and vote at the above Meeting may appoint another person who need not be a member of the Company as his proxy to attend and vote instead of him.

By Order of the Board.
N. M. PEGGIE.
Secretary.

107-112, Leadenhall Street,
London EC3A 4AE.

SOUTH WINNIPEG LIMITED
Share Offer

Shareholders are notified that a formal offer to purchase all shares of the Company at $1.35 Canadian funds expired May 31st, 1978.

Shareholders who wish to accept this offer may still do so by forwarding share certificates endorsed in blank with signatures guaranteed to the Secretary of the Company:—

R. K. Adams,
7th Floor, 3 Lombard Place,
Winnipeg, Manitoba,
R3B 2L5, Canada.

BANQUE WORMS
$US30,000,000 FLOATING RATE NOTES 1978-1985

In accordance with the terms and conditions of the above-mentioned Floating Rate Notes the rate of interest for the interest period 15th June 1978 to 15th December 1978 has been fixed at 9 per cent.

BANQUE INTERNATIONALE A LUXEMBOURG
SOCIETE ANONYME
Trustee

JEBEC CENTRAL RAILWAY COMPANY

4% FIRST MORTGAGE DEBENTURE STOCK

...preparation for the payment of the ...lf-yearly interest due August 1, 1978, ...the above Stock, the Transfer Books ...ll be closed at 3.30 p.m. on July 7 ...d will be re-opened on July 11, 1978.

W. E. REEVE.
Assistant Secretary.

...Finsbury Square,
...ndon, EC2A 1DD,
...ne 16, 1978.

THE COMMERCIAL BANK OF THE NEAR EAST LIMITED

NOTICE IS HEREBY GIVEN that the Share TRANSFER BOOKS of the above Company will be CLOSED from the 20th to the 29th June, 1978, both days inclusive.

By Order of the Board.
N. M. PEGGIE.
Secretary.

107-112, Leadenhall Street,
London EC3A 4AE.

INTERNATIONAL APPOINTMENTS

LEGAL NOTICES

No 001803 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of SIMMEAD LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 6th day of June 1978, presented to the said Court by THE COMMISSIONERS OF CUSTOMS AND EXCISE of King's Beam House, 39-41, Mark Lane, London EC3R 7HE, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 10th day of July 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

G. F. GLOAK,
King's Beam House,
39-41, Mark Lane,
London EC3R 7HE.
Solicitor to the Petitioners.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 7th day of July 1978.

No. 001781 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of MARKGLEN LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was, on the 5th day of June 1978, presented to the said Court by G. A. F. (GREAT BRITAIN) LTD., and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 10th day of July 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

JENKINS, DOGGETT & CO.,
22 Mulfords Hill,
Tadley, Basingstoke,
Hants., RG26 6JQ.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 7th day of July 1978.

No. 31 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Liverpool District Registry Group "A". In the Matter of MOUNT OLYMPUS HOTELS LIMITED and in the Matter of The Companies Act 1948.

NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 1st day of June 1978 presented to the Court by ALLIED BREWERIES (UK) LIMITED whose Registered Office is situate at Station Street, Burton upon Trent in the County of Staffordshire, and that the said Petition is directed to be heard before the Court sitting at St. George's Hall, William Brown Street, Liverpool 3 in the Metropolitan County of Merseyside on the 30th day of June 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

BERMANS,
Trident House,
31-33 Dale Street,
Liverpool L2 2NS.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person, or firm, or his or their Solicitor (if any) and must be served, or if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 29th day of June 1978.

COURSES

APPOINTMENTS

COMPANY NOTICES

SOLVAY & CIE S.A.

NOTICE OF DIVIDEND

The General Meeting of 12th June, 1978 approved the distribution, for the financial year 1977 of a net dividend of BF 200 per A & B share and of BF 80 per C share, the latter being 40 per cent. paid up.

The Final Dividend of BF 130 net in respect of the A Shares will be payable by BF draft, by transfer to a BF Account or, in Sterling at Bankers sight buying rate for Belgian Francs on the day of presentation at the option of the holder, against presentation of Coupon No. 20 at either of the following offices:—
J. Henry Schroder Wagg & Co. Limited,
120 Cheapside,
London EC2V 6DS.
Banque Belge Limited,
4 Bishopsgate,
London EC2
between the hours of 10 a.m. and 2 p.m on or after Tuesday, 20th June, 1978.

U.K. Tax will be deducted from the net dividend unless lodgements are accompanied by the necessary Affidavits.

Payment can be made only to persons residing outside the Belgo-Luxembourg Customs Union.

Shareholders should note that under the terms of the U.K./Belgian Double Taxation Convention, Solvay Shareholders resident in the U.K. are eligible, upon submitting a duly completed form 276 Div. (G.B.) to partial reimbursement of Belgian Withholding tax equal to 6.25% of the net dividend.

NOTICE TO THE HOLDERS OF PETROFINA WARRANTS

Following the increase in capital agreed upon at the Extraordinary General Meeting held on May 12th 1978, it has been decided to readjust the exercise price of the warrants, so that it may truly reflect the increase in the number of Petrofina shares.

As announced in the Agenda of the above-mentioned meeting, the readjustment was made by applying the formula foreseen in the prospectus relating to the 1973 Mafina B.V. bonds with Petrofina warrants attached.

This formula results in a reduction of the warrants exercise price which from now on will be:
—up to June 20th 1978: BF 8.411
—from July 1st 1978 up to June 20th 1983: BF 8.947.

DECCA LIMITED

NOTICE IS HEREBY GIVEN that the transfer books of the 6% Unsecured Loan Stock will be closed from the 15th to the 30th July 1978, for the preparation of interest warrants payable on 31st July, 1978.

By Order of the Board
W. L. Spalding
Secretary

Decca House,
9 Albert Embankment,
London SE1 7SW.
15th June 1978.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PLASTICS

Keeping the air out of the fuel

AUTOMATIC elimination of breakdowns in diesel fuel systems due to air locks is offered by a device called Hydrableed, developed in Britain by Bridgemore Engineering and now being manufactured for world distribution.

Slightly larger than a conventional fuel filter and normally fitted between the lift pump and the high pressure injector pump, the unit has a float, automatic air valve, automatic shut-off valve and a warning device to tell the operator that he is either running out of fuel or drawing in air.

Prototypes have been produced in steel, copper and brass, but it was finally decided to produce in plastics and the work was entrusted to Glover Plastics (Capper Neill). Only fixing screws, nuts and connectors are of metal.

The body is made of glass-filled Nylon 6 for strength and resistance to diesel fuel.

All other parts except the float are in unfilled Nylon 6. The float itself is an acrylic ultrasonically welded to give airtightness.

All the plastics materials were chosen for their engineering properties, since the Hydrableed is mounted at the side of a diesel engine and has to go through extreme vibration in a fairly high ambient temperature.

Bridgemore indicates that about one-third of all diesel vehicle and plant breakdowns result from fuel troubles caused by air entrained into the system. This can happen and air will be admitted in large amounts when fuel is low in a vehicle travelling over rough ground.

Hydrableed continuously monitors the fuel system while the engine is running. It warns of contamination and constantly bleeds off the air during normal running through an arrangement of magnets and follower arms connected with the float, actuating valves and/or reed switches.

The unit will bleed the system after a filter change and after refuelling an empty tank.

The makers say it needs no maintenance and costs nothing to run.

Bridgemore Engineering operates from 55 Canal Street, Paisley, PA1 2HQ, Scotland. 041-889 5192.

Gives good measure

MANUFACTURED entirely in engineering plastics and offered at considerably lower cost than other comparable units is a new type of eye-level spirit measure/dispenser of the kind familiar to all who frequent the bars of public houses and hotels.

Representing a departure in design from existing equipment, the Sinclair Mark II measure has a performance at least equal to what is now available and also offers a very high degree of hygiene.

The body of the dispenser is made of Tenatine, a clear injection-moulded polyester by Ciba-Geigy. This has two concentric acetyl tubes passing through its centre. The outer one, which can move, is connected to a moving shuttle inside the inner tube. Liquid contained in the bottle will flow down the tube into the spirit bowl, or from the spirit bowl into the glass, depending on spindle position.

Four dynamic seals are made from high quality silicone rubber.

One of the major problems in design was to find a bowl material which could be made to high dimensional tolerances. Many plastics tend to shrink considerably during the post-cure period but Tenatine was found to have good stability and extreme predictability.

On leaving the moulding tool, the bowls have a maximum wall thickness between 2.5 and 2.51 mm—24 hours later this drops to between 2.49 and 2.5 mm and remains at this level for the *life of the component.*

The materials chosen also have stain-resistance, even from such drinks as lime juice cordial.

Ciba-Geigy, Duxford, Cambridge CB2 4QA. 0223 832121.

● DATA PROCESSING

Outlook for personal computers

NOW THAT the calculator wave has subsided, that electronic games have proved to be somewhat of a disappointment and the general consumer public has taken the electronic watch and its sophisticated derivatives in its stride, predictions are being made to the effect that the personal computer will be the next piece of electronic "wizardry" to catch the imagination of the industrial and business consumer and thus move into a boom situation.

On the basis of U.S. predictions, this is inevitable. But the *case of the home or "personalised"* computer is not strictly comparable to that of the calculator, if only because to take full advantage of such machines as the PET from CBM at just under £700, or the rather more expensive IBM and Wang portables, the user really has to get down to it and learn the Basic language in which such machines can be programmed.

Be that as it may a survey of the U.S. market carried out by Creative Industries Inc, says that the potential market in the U.S. is 20m households out of the total of 77m The survey does not make it clear whether machines will ultimately be installed in these 20m homes or whether it means that 20m persons will have their own, personalised machines—whether at home or in the local store or office.

The latter places personal computers in nine categories, "six non-home and three home." Non-home covers very small businesses, low-end business applications, self-employed professionals, scientists, educational, and industrial applications. And it reckons the U.S. market for machines which could be put in *this category* at $1bn by 1982.

But the fact that the company known as Radio Shack already has some 7,000 shops all over the U.S., in which microcomputers and personal machines are available over the counter, obviously looms large in Creative's thinking.

In Britain the Online organisation is later this month holding a DIY Computer show at the West Centre Hotel in London. This will run concurrently on June 22 and 23 with a conference on Personal Computers in Business and it is clear that, on this side of the Atlantic, the rapid spread of this form of computing is being taken for granted.

The PET machine from Commodore, first whisked through London after its initial showing at last year's Hanover Fair, has been sold to the tune of several hundred in the UK and not only to hobbyists. Takers include educational departments, engineers and business systems users.

Commodore has started to announce additions to the PET, one of which is a printer unit working at 50 characters a second and capable of producing carbon copies. A second cassette deck is available for direct connection to the unit and a floppy disc and extended memory options are just round the corner.

Online operates from Uxbridge (0895) 39262 and CBM from 01-388 5702.

● ELECTRONICS

Sound neutralises sound

A REMARKABLE piece of research work at Essex University—at present in some danger of being overtaken by U.S. efforts due to lack of funds—has resulted in an "electronic silencer" developed in co-operation with Sound Attenuators, of Colchester, Essex.

It has always been theoretically possible to cancel a sound by emitting another with identical waveform but in the opposite phase, although to cancel a random sound in free space presents formidable difficulties.

But if the noise is cyclical, as for example in the exhaust of an internal combustion engine, most of the acoustic data in each engine cycle bears marked similarity to those that have already occurred—a key point realised by Professor G. Chapman and his team at Essex.

The equipment developed does *not attempt to make instantaneous* copies of the waveform but instead builds up the shape and amplitude revolution by revolution on a trial and error basis.

The only transducers used are a magnetic revolutions counter to get the repetitive speed of the waveform, a loudspeaker mounted near the exhaust outlet and a microphone close by which has the sole purpose of determining the residual total sound level.

Using a microprocessor, at switch-on the equipment starts by generating a single pulse at the beginning of the engine cycle period: if this results in a reduction in the overall noise heard by the microphone, it is retained, in its time position, in *a semi-conductor memory;* if not, it is taken out. With each successive engine revolution the rest of the waveform is examined *incrementally* along the time axis until a replica of the exhaust sound waveform is stored in the memory in digital form the analogue being continuously fed to the loudspeaker.

Within ten seconds or so from switch-on the optimum contrasound is arrived at and will be held unless the engine note alters, in which case a suitable *modification will be generated.*

The rather long adaptation time results not so much from the electronics but the time for the acoustic changes (once per engine revolution) to work through.

Tests so far have been on a small electrical generator engine which has been deliberately "beefed up" acoustically to have big diesel characteristics. Direct emission of sound from the engine casing has been acoustically absorbed, leaving *only the exhaust noise which can* be heard to dramatically fade away when the system is switched on. A sound level meter in the laboratory showed a reduction of nearly 20 dB. A big scale test on a 200 HP diesel is underway at Sound Attentuators.

In non-stationary applications the two organisations do not see the response delay as a problem: Professor Chaplin believes that it should be possible to generate a waveform signature for each speed in the range of an engine, and store it for use whenever that speed is detected by the revolutions counter.

If this is so, an extremely important field will be opened up for the silencing of all reciprocating engines ranging from big railway locomotives to *the mass market* of the domestic motor car.

The important point about the technique is that it enables low frequencies to be dealt with very efficiently, producing attenuations that acoustic damping can never achieve.

The technique is not yet proved beyond about 250 Hz and in any case conventional absorping techniques may always be cheaper to use at the higher frequencies. Thus, a complete silencer would be a combination of electronic and acoustic.

A commercial, robust and reliable production model has yet to be designed, although neither the loudspeakers or microphones need be of special quality. This is because the generated contrasound *automatically takes account* of the acoustic characteristics of both—they are in the "loop."

A similar project at Essex is working towards the cancellation of sound in heating and ventilation ducts. In this case the sound is random; however, it can be intercepted further along the duct with a phase-changed, inverted replica so that the noise *is cancelled at the duct end.* This work has been partially funded by Science Research Council.

The "cyclic" work however, is in need of funds. According to Alan Fry, technical director of Sound Attenuators, £¼m is needed to exploit the present knowledge to the product stage.

Apparently a number of likely backers approached before the demonstration stage was reached all expressed the same view: "It can't be done."

Both Chaplin and Fry are convinced that if it is not done in the UK within six months, announcements will be heard from other parts of the world.

GEOFFREY CHARLISH

Predictions to 1982

JUST published by the Financial Times is an International Management Report entitled "Electronics: The Market to 1982."

The 125-page report, in A4 format, provides projections arrived at after weighting data issued by a wide range of government, trade and institutional sources. Author Peter Evison has, in this context, experienced the difficulties of most forecasters in this area—there is often no alignment of product categories.

Assuming that there are no major perturbations of the market, the report makes growth predictions in terms of 1976 dollars for the year 1982 in six main sectors: computers/data processing, doubled to $60bn, consumer electronics up 90 per cent to $38bn, components up 84 per cent to $33bn, U.S. Government spending, increased by only 38 per cent to $22bn, and the industrial/commercial and communication segments both doubled to about $20bn.

The total is nearly $200bn, of which half will be in the U.S., 30 per cent in Europe and 20 per cent in Japan.

Discussed in some detail are the technical and economic trends now affecting, and likely to affect the market.

The numerical data are presented in over 120 tables, and the report costs £50.

More from Business Publishing Division, Minster House, Arthur Street, London EC4 9BH (01-623 1211).

● By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

● SHIPBUILDING

Straightens kinks in ship decks

BY USING dissolved acetylene (DA) supplied by BOC, Sunderland Shipbuilders, part of British Sipbuilders, is saving time and reducing costs by "flame straightening" ships' decks. *Previously, straightening* was achieved by positioning three inch flats underneath the deck, an expensive and time-consuming method.

Sunderland Shipbuilders has been using the technique for some months and considers it the best method yet. It is in the company's own interest to straighten decks, as sub-contractors applying covering compositions charge more if ripples are excessive.

Stiffeners are positioned underneath deck panels at spaces of 700-800 mm. In between the stiffeners, ripples occur which can be as much as 25 mm deep.

Using the flame straightening technique, Sunderland Shipbuilders has reduced these ripples to 5 millimetres variance with an average *of two* heat cycles. Three or four cycles may be necessary for the worst areas.

Panels are first checked using a straight edge and then are heat treated, using DA in a plate straightener blowpipe. Decks treated to date have a plating thickness of 8-12 millimetres.

Flame straightening has two significant advantages: faster and more efficient operation with the multi-nozzle blowpipe, and principles of application are easily learned by the average workman.

The method is now being used by Sunderland Shipbuilders in each of its three yards, and additional blowpipes are on order. At present, the accommodation decks only are treated in this way, but there is a possibility that ship hulls will also be treated using the same method.

For more information, Rotherham (0709) 2161.

● OFFICE EQUIPMENT

Sitting comfortably

ERGONOMICALLY engineered for anatomically correct seating, is a high base drawing office chair called 673 from Giroflex, Hengoed, Mid Glamorgan, South Wales (0443 812535).

The two major features which are said to offer greater comfort and efficient working conditions, are the Girolift gas lift system which raises the vacant seat, then gently lowers the user *to his* preset working height, and the wide adjustability of the backrest height and rake enabling each user to match the chair precisely to an ideal working posture.

Seat height and backrest angle are fingertip controlled by levers beneath the seat and can be operated from a normal sitting position.

Desk top document binder

The General Binding Company is marketing a desk-top machine designed to punch and plastic-bind a wide variety of documents. Collated sets of pages are inserted in the throat of the machine and punched automatically. The punched set is then bound by moving the binding control arm in one simple operation.

The machine can punch up to 15,000 sheets per hour and bind lengths up to 305 mm. It weighs 28.60 kg and width is 407 mm.

Further from the company at Dorman Road, Camberley, Surrey (0276 62162).

● HANDLING

Beer on the high seas

OFFICERS AND crew in two new cargo ships built by Lithgow Holdings, Glasgow, will be able to enjoy draught beer maintained to the same high standards they would find in licensed premises on land in the UK.

Brewery engineers, Porter Lancastrian, recently installed two five-barrel vertical stainless steel beer storage tanks for Allied Breweries (UK) in the vessels "Oroya" and "Oropesa." The bulk beer system adopted enables the required quantity of beer to be stored in a minimum of space and there is no handling of beer containers when the vessels are taking on supplies during trips.

A standard bulk beer delivery vehicle is taken alongside the ships to service the vessels and the tanks are filled via delivery hoses directly from the road tanker. The supply of beer will be from Allied Breweries in Wrexham, North Wales.

More from the brewery engineers company at Park Lane, Bootle, Merseyside L30 4UP.

● SECURITY

Prints show on problem surfaces

TEN TIMES as effective developing fingerprints than traditional aluminium pow[der] method is a process based [on] vacuum coating of the sus[pect] article, using an adapted ver[sion] of the Edwards 24E5 Vac[uum] Coater.

Developed by the Home O[ffice] Police Scientific Developm[ent] Branch, the method consists [of] evaporating fine coatings of g[old] and cadmium on to the ta[rget] material. This yields a m[uch] higher percentage of us[able] prints and makes it possible [to] develop prints on plastics, car[rier] bags and similar articles.

Old prints, hard to develop [by] other methods, can be detec[ted] by deposition.

In practice, the article to [be] examined, which can be up [to] 2 feet square, is placed in [the] coater and a preliminary coat of gold is applied. This [will] be preferentially absorbed [by] chemicals in the prints and [a] second coat of cadmium, normally forming a film on pl[as]tics, makes the gold coat visible.

Advice on installation [and] operation is available from producers of the equipmen[t] Edwards High Vacuum, Ma[nor] Royal, Crawley, West Sus[sex] RH10 2LW.

Versatile alarm

AN AUTOMATIC fire detect[ion] system which provides an audi[ble] warning of fire through [a] public address system also [has] the facility (via security swit[ch]) for a member of staff to dir[ect] the evacuation of premises [by] instructions transmitted from [a] built-in microphone. Piped mu[sic] can be transmitted over the sa[me] wires and loudspeakers.

Called the Communicator, [it] comes from McMillan Fire Ala[rm] Systems, 49 Scrutton Stre[et], London, EC2. (01-729 1919).

The Management Page

Nicholas Colchester reports on management changes and group reorganisation at Scottish and Newcastle Breweries

A shake-up to put the sparkle back into Tartan bitter

MR. PETER BALFOUR has installed a professional pilot at the controls of Scottish and Newcastle Breweries after flying the company, Britain's fifth largest brewer, more or less single handed for the past eight years. He has hired a man of known talent to reverse a slow slide in the fortunes of the group's beer business. He has devised a new management structure that reflects the group's size and diversity. Now he must sit back and see what they make of it.

The most symbolic change at Scottish and Newcastle is that a new beer company—as yet unnamed—has been formed within the group to concentrate on the making, distributing and wholesale selling of beer. Previously S and N was *itself* a beer company which attempted to diversify rather belatedly and with mixed success. Now its *other interests* are to be ranked alongside beer as independent businesses within the group. There will be a retail business *running hotels and pubs. There* will be a wines and spirits business—Waverley Vintners. Each will be a profit centre in its own right.

Performance

The second major change is that a Group Executive has now been created between the operating companies and the Board. The new chief executive is Mr. Robert King, 49, previously chairman of the Diversified Products Company of Metal *Box.* Mr. King brings with him a certain aura of managerial dedication to the rather club-like atmosphere at S and N's Edinburgh *headquarters.*

He and his executive staff, which will include the finance director, Mr. Peter Molony, and the personnel director, Mr. *Allan Blacklaws, will be in day*-to-day control of the group. They will leave Mr. Peter Balfour, who remains chairman, *and his Board, free to think in* broader terms about the way S and N should develop.

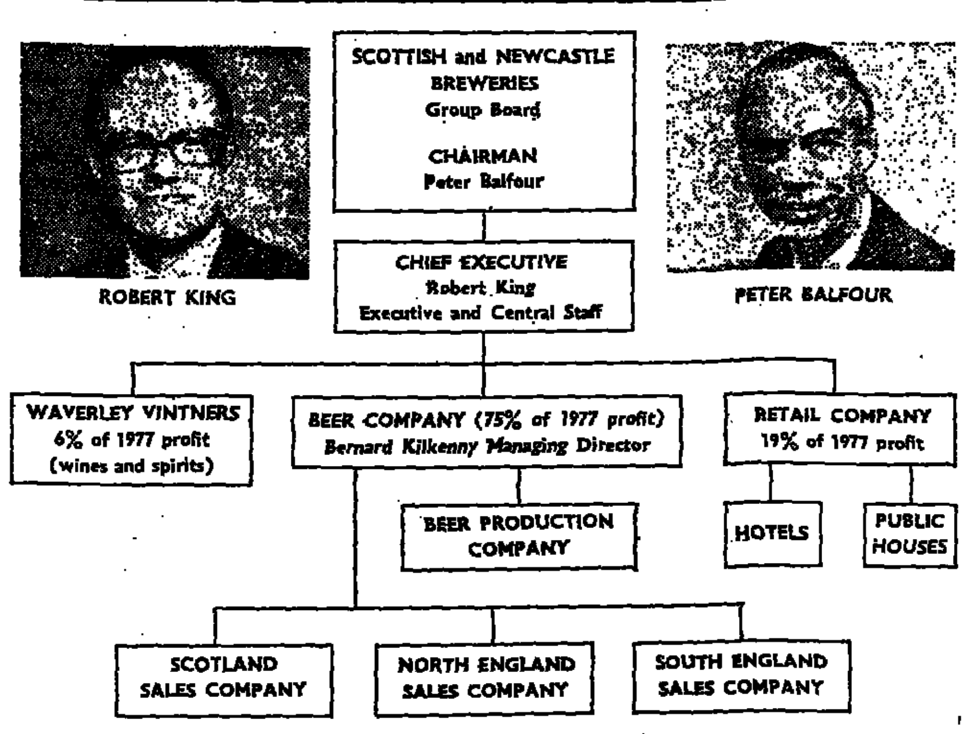
The need for the management shake-up became *evident during a rather un*satisfactory period in S and N's history. The last three years have shown static profits and declining market share. They have been in contrast to the company's above-average performance at the turn of the decade.

That was the time of what Peter Balfour now calls wistfully "the small boy spirit." S and N was relatively small among the major British brewers. It was making the right beer for the time. It had a fortunate bias towards the growing free trade side of beer sales. *It was pushing its pro*ducts into untried territory in the South, and it made those products efficiently. The profit and sales figures that resulted made S and N's shares a market favourite.

These advantages resulted *from a mixture of* luck and judgment. The company sold three-quarters of its beer to the free trade (i.e., to outlets *not tied to a particular brewer)* partly because Sir William Younger, the chairman until 1970, did not believe in expan*sion by acquisition. The com*pany's expansion into the South was helped by the public's enthusiasm for Tartan Bitter, and was made cost-effective by the management's decision to use Cadbury-Schweppes as a distributor to retail outlets.

Looking back on those times today, the S and N directors *remember* that when things were going well Peter Balfour's personal style of management allowed for quick decision-*taking.*

But in the early seventies the market turned sour for S and N. The great swing to lager—now 25 per cent of the market and still growing fast—started to find that S and N was only involved in this product through its part-ownership of Harp. The free trade became much more competitive. The labour and fuel costs of S and N's long supply lines to the North of England and Scotland tended to outweigh the benefits *of large-scale and* centralised production which had been one of this company's advantages. Where other brewing companies began to *reap the benefits of* diversification into wines and *spirits and into hotels, S and N* found itself lagging behind.



It was in the attempt to put things right that S and N began *to feel like an overgrown family* firm. Where Peter Balfour had been able to take quick decisions before, the number of decisions *needed* now began to overwhelm him. It was impossible for one man to be on top of the day-to-day problems of beer production, of an expansion *into the* hotel business, of the much-needed aggressive push into the wines and spirits business, and of other schemes for diversification.

Two of the latter—a joint interest in Del Monte Kitchens, a frozen foods company, and the St. Cyprien *golf/leisure* centre in France—turned out to be loss making mistakes and St. Cyprien in particular took up *a disproportionate amount* of top management time. It also *became clear* that the centralised style of management had robbed local management of the initiative to take local decisions. *Everything ended up on* Balfour's desk.

Problems

The non-executive directors on S and N's board played an *abnormally active role in getting* this situation changed: Lord Airlie, the chairman of Schroders, and in particular Mr. Lewis Robertson, the *chairman* of the Scottish Development Agency, pointed out that S and N Board meetings tended to be nothing more than *an extension* of the preceding meeting of the executive committee. Far from developing an overview of a diversifying group the board was drawn into detailed arguments about beer production and delivery.

At the end of 1975 Reid and Timpson, a firm of management consultants, was called in to *arrange a re-organisation of the* company's divisions, a move that stemmed from the impending retirement of some senior *managers.* The *firm reported* that Scottish and Newcastle's management was "too far from the market place."

Today, with the *wisdom of* hindsight, Scottish and Newcastle's top and middle management are scathing about the lack of *feedback from* the market. "The cross links between marketing and production were so tenuous as to be *non-existent,*" says Mr. Van Gruisen, now managing director of beer production. It was not until 1970 that S and N began to do systematic market research, and the men running the company's pubs and hotels had no clear idea who in the group should be told about the shifting tastes of their customers.

The chairman set up a committee to act upon the findings *of the consultants* and by last summer, when he found his new chief executive at Metal Box, the committee had laid down the *rough blueprint of* the re-organisation that is now taking place. Nine months later, in March 1978, Peter Balfour was able to jump at the chance of recruiting Dr. Bernard Kilkenny as managing director of the *newly formed beer company.* Dr. Kilkenny was leaving his job as chairman of the beer division of Allied Breweries *after a board-room split over* the re-organisation of Allied's beer business.

There is plenty of scope for Dr. Kilkenny's talents at S and N. He has to reverse the continuing slide of the company's *market share.* He has to draw the right conclusions from the first results of S and N's expansion into the lager market *in the South of England* with its own product, McEwans. Part of the gamble here lies in the name. Lagers with British *names are well established in* Scotland, but in the South it seems that lagers must be called after psuedo-Continental *brewing dynasties to be success*ful.

Then there is the question of production. There is a growing *feeling* that S and N *needs* a brewery in the South to serve its market there. The site and type of brewery will be another *of Dr. Kilkenny's early deci*sions.

Some of the groundwork for improvement on the beer side *has already been done. The new* beer company is already equipped to be an independent operation. It has its own finance and marketing directors. It has three separate sales/marketing subsidiaries operating in Scotland, Northern England and Southern England. Already these marketing subsidiaries are charging a realistic transfer *price to pubs and hotels* in S and N's retail division. The feedback from the marketing companies to the marketing *director of the beer company* has already been greatly improved.

Indeed the overall impression created by S and N's reorganisation, and the first reaction of executives to it, is that many more people in the company now know for what, and to whom, they are answerable. This clarifying of the structure and unblocking of the lines of communication seems likely to make the group more effective in the future.

Future

At the top end the changes have a transitional feel about them. Mr. Balfour remains chairman but says cryptically that he is "looking to the future" at the age of 57. *His colleagues* are *surprised* by the extent to which he has been prepared to hand over the reins to Mr. *Robert King: he has recently* devoted an increasing amount of time to his work for the Scottish Council.

The top management has put on weight *in the* course of this reorganisation, and the salary bill has been increased by an estimated £¾m. *This* is partly because the added manpower was needed and partly because the shake-up has been carried out in a humane manner. The Board is now generously manned and will probably need to be slimmed down as time goes by.

It is clear that Mr. King must inevitably become involved in both the conceptualising that is supposed to be the Board's role and in the day-to-day management that is the function of the executive. But to ask whether he is Peter Balfour's *successor is* partly to miss the significance of his arrival. He is a different kind of business leader; in his own words he represents "*a less charismatic* and a more systematic approach." S and N is now pinning its hopes on making use of its collective talent, rather than on inspired thinking from on high. "My job is not to succeed by myself, but to make people underneath me succeed," Mr. King explains.

Lonely hearts club for small companies

SMALL FIRMS bemoan the lack *of finance available to them.* Financial institutions complain there are insufficient takers for their funds. This apparently contradictory state of affairs *cannot be totally explained by* small firms being over-stretched and financial institutions being over-cautious, says the London Chamber of Commerce and Industry (LCCI).

To bridge what the chamber sees as an information gap it *has launched a new financial* information service for small firms. The centrepiece is a 56 page book which lists the insti*tutions providing all types of* finance from short to long term and includes sources of leasing and venture and development capital.

As well as giving the addresses and phone numbers of the institutions there are, in *most cases, some comments* offering a guide to maximum loans and the type of security required.

Updating bulletins

The back-up service—which is a sort of lonely hearts club for small companies who have trouble finding the right financial partner — includes an inquiry service, regular updating bulletins, details of new services and any changes to the information contained in the *book.* The inquiry service is being run by the chamber's economic department.

Next year the chamber is *hoping to expand the service to* include export finance and to run seminars where small companies seeking finance can meet *some of the potential lenders.* And the book is planned to be produced annually. The chamber says that it has started the service because 6,000 of its 8,000 members fall into the small firms category.

Sources of Finance for Small Firms costs £5.50 for members of the LCCI (£8.00 to non-members). This includes the updating and inquiry services. London Chamber of Commerce and Industry, 69 Cannon Street, London EC4N 5AB.

Jason Crisp

CBI warning on profit-sharing

A WARNING that companies should not expect too much from profit-sharing schemes un*less they form part of a wider* employee participation programme has been issued by the Confederation of British In*dustry.*

Coming at a time when the Government's tax relief provisions for helping employee *share ownership schemes* are now passing through Parliament in the Finance Bill, the warning reflects the traditional em*ployers' view that profit sharing* is not a primary method of increasing employee involvement.

It is contained in a new booklet *published by the* Confederation, which outlines some profit-sharing schemes, summarises the Finance Bill provisions, and makes suggestions about how managements should weigh up the benefits of schemes.

"For *companies,* financial participation schemes offer an avenue for achieving that sense of purpose, at least at company level, *which is essential for* prosperity," says the Confederation. "Financial participation schemes should never be seen *as an alternative to other forms* of involvement and participation but as a useful contribution to an employee participation *programme.* As such they certainly merit consideration because securing commitment presents major hurdles which are not cleared easily.

"Difficulties include the size of some organisations; the *nature of a great deal of work* making it difficult to motivate people; and the high level of expectation among employees *in terms of both involvement* and reward.

"While the CBI does not regard a financial participation *scheme as fundamental* to solving these problems, the concept may well be relevant to some companies."

The CBI is not dealing here with cash handouts which are *basically ordinary bonus* or incentive schemes. This, it says, is because "true financial participation schemes are moti*vated by a wish on the part of* a company to offer employees the opportunity of a more permanent stake in the business than the regular pay packet gives them."

The booklet says that most schemes limit the employee shares issued to 5-10 per cent *of the total equity* and warns that companies introducing schemes would have to balance the interests of the majority *shareholders and the employees.* "This is sometimes much harder than it appears because, as the employees' stake grows, so do their levels of expectation that they will share in the decisions that affect them. When an employee is a shareholder he can argue that he has as *much right* to influence company affairs as any other shareholder."

Traditionally trade unions *oppose company-based* schemes but says the booklet, "a scheme with is too attractive may well become a subject for collective bargaining and that too has its dangers."

There is also the problem about what companies should do in bad years. Some schemes have foundered at such times.

"Statistics show that few British companies are at present *adequately profitable, especially* when inflation is taken into account. In these circumstances, companies will need to think *very* carefully before pre-empting a specific proportion of profit in an employee profit-sharing scheme. They will need to weigh this against the other uses that could be made of the resources."

Financial Participation in Companies. An introductory booklet. Confederation of British Industry, 21, Tothill Street, SW1. Price £1.

John Elliott

BUSINESS BOOKS

Business in the International Environment, by Yair Aharoni with Clifford Baden. Macmillan Press. Price: £10.00. At present *a priority for management* is the understanding of the economic, social and political environments in which the firm operates. This is a casebook *providing the core for a course* on the business environment.

Managing the Manufacture of Complex Products, by C. C. New. Business Books. Price: £12.00. This is about the *managerial* problems of the co-ordination of the multiple activities which make up the manufacturing manager's task.

Miracle drugs: the euphoria becomes harder to swallow

BY DAVID FISHLOCK, SCIENCE EDITOR

YOU ARE healthy, needing no regular medicine or treatment, but preparing to be banished for a longish spell to a desert island. What 10 drugs do you take along? A painkiller; or perhaps two, because a morphine-type analgaesic may be useful if you injure yourself. A broad-spectrum oral antibiotic for infections and food poisoning. An anti-malarial (but you could easily become very neurotic if you tried to think of every tropical disease for which you might carry a prophylactic). Personal idiosyncracies soon begin to dictate whether one includes antacids, sedatives, antiflatulents, purgatives, alcohol, etc.

The difficulty most people will have in answering this question helps to illustrate society's dilemma about drugs. It is constantly titillated by talk of "miracle cures"—which indeed occasionally turn out to be remarkable advances in medical science. At the same time it is constantly made aware of how much distressful disease is suffered despite modern drugs, how much illness is *caused* by medicines, and how many diseases drugs still cannot cure, much less prevent.

In the more highly developed countries more than 30,000 pharmaceutical products are available to the doctor. But according to the World Health Organisation, a range of 500-800 of these should be enough to provide first-class medical care to 80-85 per cent of patients in hospital. Typically a GP will have a list of 50-100 to serve the needs of most of his patients.

The WHO recognises that although drugs are generally a highly cost-effective method of combating those diseases for which drugs have been discovered, it has been trying to simplify the medical armoury for nations whose budgets for health are tight. It has drawn up a list of 200 "essential drugs": active compounds which, when formulated into several hundred preparations, will cover the basic health needs of most populations.

According to Dr. Vittorio Fattorusso, director of WHO's division of prophylactic, diagnostic and therapeutic substances, the organisation is now breaking new ground "by applying the best scientific knowledge to the selection of the most necessary drugs to meet the real health needs of the whole population instead of focusing on the demands of a privileged minority who may have access to sophisticated medical care."

There is no simple answer, he says, to the question: How many drugs are essential? Answers depend on the place, the prevailing pattern of disease, how highly developed is the art of its medical treatment, etc. WHO's experts have chosen their 200 drugs while at the same time realising that the list will need constant review, to take account of innovation; but excluding, for instance, alternatives which might replace a chosen drug when an infectious agent had built up a resistance to it, and also excluding plant remedies, however efficacious or safe they had proved in a particular population.

Dr. Fatturosso believe that if the novel concept of "essential drugs" is accepted it would lead to a more equitable distribution of drugs world-wide. It would benefit, he says, both those who need and those who make the drugs, by effectively opening up new and wider markets. But he recognises that WHO has some way to go in persuading governments, doctors, drug companies, and—above all, perhaps—the patients themselves that a relatively short list of drugs might be the way to better health care.

❛ Governments can't command breakthroughs in science. The best they can do is to be prepared to take fullest advantage of any discoveries that may occur.❜

Approaching the same problem from another angle is Hoffman-La Roche, the Swiss-based multinational, currently rated the world's fourth biggest maker of pharmaceuticals. The company believes it is naive of anyone to expect new drugs alone to bring about better health and win control of the explosion in health care costs. It sees a need for decisive action in several areas, the first of which — and probably most important—is the primary prevention of disease, if need be by a change in our lifestyle. For the affluent the point is perhaps best made by lung diseases arising from cigarette smoking, for which there is virtually no cure other than surgery in some cases of lung cancer. For the poorest the point was made by the scientist who said: "It's not drugs these people need, it's boots."

But rich and poor alike have been led to expect medical science to provide cures for their excesses and indiscretions, as well as for "Acts of God." The reason is that its most spectacular successes have been with some of the most dreaded infectious diseases. Smallpox has been virtually eradicated—no case reported for six months anywhere in the world. The "isolation hospitals" for such diseases as diptheria and scarlet fever are no longer needed. One of the latest triumphs is over a disease of to-day's stressful habits, the peptic ulcer, using an anti-histamine.

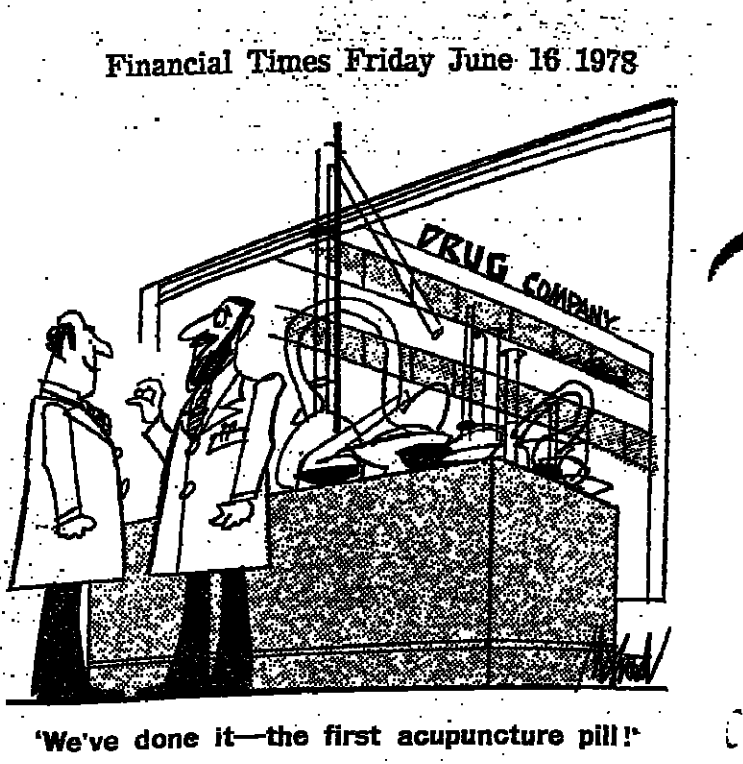
But even though science has picked off some of yesterday's big killers, plenty of problems remain. Cardio-vascular disease—of the heart and blood system—can be treated to-day with some excellent palliatives, such as the "beta-blocker" drugs. But a drug that cures or, better, prevents is nowhere in sight. Malaria, once the target of a WHO campaign of eradication similar to that for smallpox, is sweeping three continents, and has increased sharply in Britain. The 1,162 cases notified in 1976 was almost double the previous peak U.K. figure—562 cases in 1953. WHO says that the effort required was too great to be borne for long enough by the countries infested and the international funds available.

Rheumatism, perhaps the most widespread serious disease in Britain, is still unexplained and—as with the common cold—its treatment is at best the alleviation of symptoms. Tuberculosis is both preventable and curable with nearly 100 per cent. success. Yet about half the world's population is infected, and half-a-million die from TB each year—and not only in the poorer countries.

The euphoria which a decade ago pervaded the search for a cure for cancer has largely evaporated. Even a Presidential declaration of war on cancer, by Mr. Richard Nixon in 1970, has achieved little more than to establish that it is a more complex problem than it appeared to be in the 1960s; a family of perhaps 100 or so diseases, each of which would require a specific treatment, which in each case seems likely to come close to being as dangerous as the disease itself. What is more, perhaps 60-90 per cent. of cancers are environmentally caused, that is by some carcinogen people come into contact with regularly through their food, water, air, workplace, etc. Some of these are clearly recognised yet still widely ignored.

The U.S. "war on cancer" has demonstrated another harsh fact: that crash programmes to solve or eradicate a problem *will work only if* someone has already answered the fundamental questions. Lord Zuckerman, when asked by the British Government whether it too should declare war on cancer, was criticised in some influential quarters for pointing out this elementary fact, and for stating that in the case of cancer the missing factor was ideas and not cash. Governments cannot command "breakthroughs" in science. The best they can do is to prepare to take fullest advantage of any discoveries that may occur—as did President Kennedy when he decided to land a man on the moon.

There can be no doubt that had the U.S. Goverment directed elsewhere a fraction of the resources it has spent on cancer research in the 1970s—over $800m. last year, one-third of all the money spent by 11 U.S. national institutes concerned with major areas of disease—both malaria and TB would have joined the diseases of yesterday.



'We've done it—the first acupuncture pill!'

Can *anyone* command cures for a disease? The pharmaceutical industry — or, more precisely, part of that industry—attempts to do so by taking decisions founded basically on two considerations: the scientific and the commercial possibilities. Dr. Otto Nowotny, an executive of Hoffmann-La Roche, has been examining the investment of leading drug companies in their efforts to discover cures or prophylactics for a host of diseases from colds and caries to cancer.

Research

The 50 biggest companies apparently spend well below 10 per cent of turnover on research and development; a figure which *is high compared, say,* with the mechanical engineering or food industries, but which hardly sustains the claim that research is one of their biggest sources of expenditure. But this is not the whole story. Most companies dilute their ethical drug sales with other products—cosmetics, special foods, proprietary medicines, "fringe medicine" products from toothpastes to treatments for dandruff. These require a much smaller research investment.

On average, finds Dr. Nowotny, the research budgets of the leading U.S. companies expressed as a percentage of pharmaceutical sales is about 10 per cent.; of the leading German and Swiss companies (which hold five of the first 10 places in drugs sales) around 15 per cent. The biggest spenders, he says, reinvest 15 to 25 per cent of turnover in research. If one then takes into account the invested fixed asset in laboratories and their equipment, these figures must be increased by 50 per cent., bringing the real annual research investment of the most innovative drug companies into the bracket 22.5-37.5 per cent. of turnover.

But how does the drug industry—which spends about $2bn. a year worldwide on research—pick its targets? Some pick themselves. For example, most good drugs to-day only alleviate or at best cure disease, but do not prevent it. Antibiotics, the class of drug which has done more than any to promote the idea of "miracle cures," will never eradicate a disease because the micro-organisms that cause it to appear have an infinite capacity to adapt and breed strains resistant to the most potent antibiotic. For that reason above all, companies with the research capability to undertake the development of vaccines—the Wellcome Foundation in Britain, and Merck Sharp and Dohme in the U.S., for example—are very confident about the future of prophylaxis. Vaccines against pneumonia, venereal diseases, hepatatis, dental caries, even some of the rare "incurable" tropical diseases, are all serious prospects to-day.

Pain, a concomitant of almost every disease, is another obvious target. According to Dr. John Vane, the Wellcome Foundation's research director, 100,000 tons of aspirin are made a year. *Which?* says that Britons buy over 6bn. painkilling tablets a year, for ailments that range from hangovers to rheumatism—potentially the world's No. 1 disease if ever cardio-vascular disease and cancers are reduced.

Painkillers

There has been an explosion of interest among the drug companies since two Scottish researchers in 1975 showed that the brain can make its own painkillers, which they called enkephalins. The search is on for pills of synthetic enkephalin, as powerful as morphine but free from the side-effect of addiction.

Or could it be that the answer to pain will be found in acupuncture, the ancient Chinese therapy of sticking pins into the patient? Some researchers now believe that this is simply a way of stimulating the release of "God's morphine"—and the perfect way of administering a drug.

APPOINTMENTS

Senior changes at Jardine Matheson

JARDINE MATHESON AND CO., Hong Kong, has made a number of senior management changes to take effect later this year. Mr. J. J. G. Brown, who has been managing director since 1973, will retire from the Far East and, while remaining on the Board of Jardine Matheson and Co., will take up a new appointment as executive director of Matheson and Co. in London. Two deputy managing directors will be appointed at Jardine Matheson and Co. They are Mr. D. D. B. McLeod, who will be responsible for all Jardine's operations in Hong Kong, and Mr. J. A. Heywood, who will be in charge of all overseas operations. Mr. McLeod has been a director since 1973, responsible for service activities. Mr. Heywood joined the Board in 1972 and since 1976 has handled group investments in North and South-East Asia, the Middle East and Southern Africa.

★

Mr. R. G. Kersey has been appointed technical director of HYDRAULIC DRILLING EQUIPMENT. Mr. J. E. Keyes is now manager, sales and field operations department.

★

Mr. Peter Hallgarten has been elected chairman of the WINE AND SPIRIT ASSOCIATION for 1978-79. Mr. Vincent Larvan has become deputy chairman, and Mr. Dennis G. D. Webb, assistant deputy chairman.

★

Mr. Richard Eassie has become managing director of KRAUSHAR ANDREWS AND EASSIE and Mrs. Janet Gilkes and Mr. Michael Goldman have been appointed directors. Mr. Peter Kraushar remains chairman.

★

The Board of INLAND REVENUE has appointed Mr. J. A. Christopher to be a deputy chief valuer from August 1 and Mr. P. G. Heard will be an assistant chief valuer. Mr. C. H. Tinsley retires as deputy chief valuer on that date.

★

Mr. David Stevens has been appointed distribution director of SACCONE AND SPEED SERVICES at Park Royal, to fill the vacancy created by the appointment of Mr. Bernard Ryan as managing director of Saccone and Speed Services earlier this year. Mr. Stevens was previously with Nabisco.

★

Dr. C. D. T. Minton has been appointed managing director of IMI AUSTRALIA from October 1 to succeed Mr. J. R. Seear, who is retiring. Dr. Minton will be replaced from September 1 as managing director of IMI Opella by Mr. R. A. Owen, at present assistant manager, IMI overseas and marketing department.

★

Mr. Alan Charton has succeeded Mr. H. B. Roper-Caldbeck as chairman of BOUSTEAD LIMITED. Mr. Charton is chairman of Boustead Holdings Berhad, Malaysia, and of the Singapore-based group of companies.

★

Dr. Michael Branson has been appointed managing director of APL*PLUS, the UK subsidiary of Scientific Time Sharing Corporation, of the U.S.

★

Mr. Mike Gandy has been appointed to the Board of IRATHANE INTERNATIONAL, a joint venture operating in the UK between Selection Trust and Irathane Inc., U.S. He continues as general manager.

★

Mr. E. W. G. Broughton and Mr. J. B. Dexter are to become directors of W. AND E. TURNER from July 1. Mr. Broughton is at present company accountant and Mr. Dexter, property manager.

★

Mr. T. P. H. Aitken has become deputy chairman of GILL AND DUFFUS GROUP. Mr. R. G. McFall has relinquished his position as vice-chairman but remains on the Board.

★

ACME Signs and Displays states that Mr. E. D. Baker, Mr. T. T. Dempster, Mr. F. St. G. Fisher and Mr. R. F. Kitson have been appointed directors of AF-SIGN SERVICES, a new national sign maintenance company.

★

Mr. Ivor Casson, founder partner of CASSON BECKMAN RUTLEY AND CO., which was established in 1938, has retired as a partner, but remains a consultant. The name of the firm is now CASSON BECKMAN.

FINANCIAL TIMES SURVEY

Friday June 16 1978

THE CHANNEL ISLANDS

Continued growth in the financial sector has enabled the economies of both Guernsey and Jersey to move forward despite a high rate of inflation, the flat state of some long-established industries and worries over finding employment for school leavers.

Friction in the family

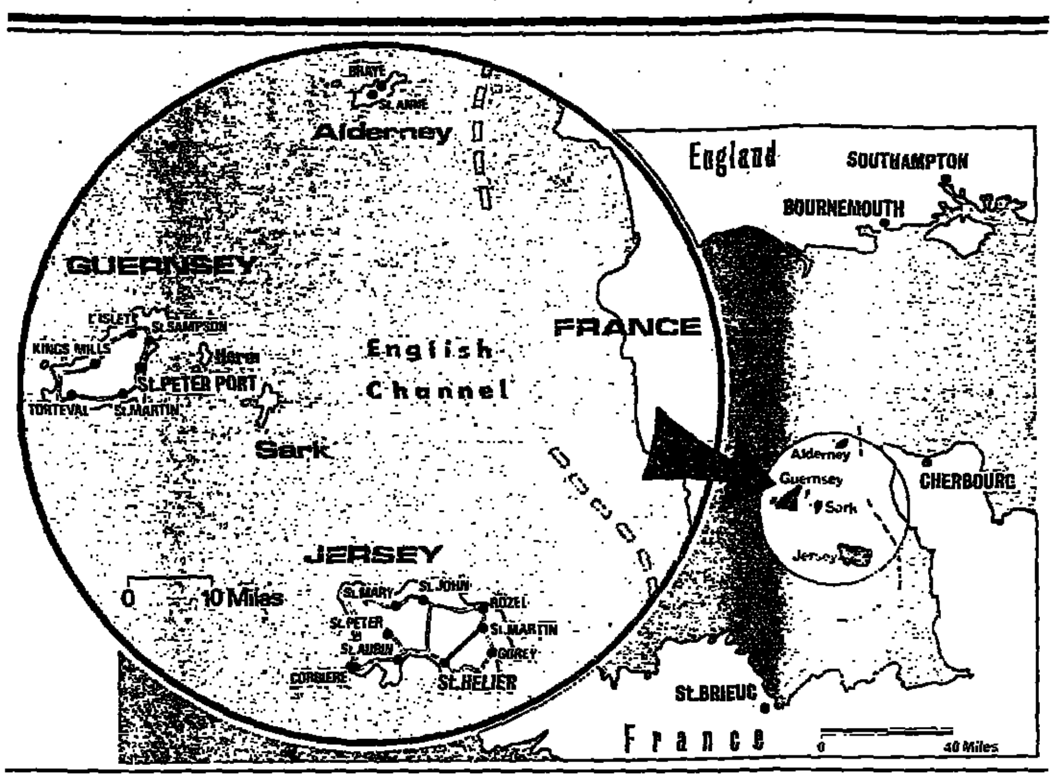
By Anthony Moreton Regional Affairs Editor

ALONG THE quay and esplanades in St. Peter Port, the picturesque little capital of Guernsey, the painters and decorators are out in force. A few miles away, in St. Helier, the flags and bunting have gone up in Jersey's capital. The cause of the wash and brush up, as well as much of the excitement, is the imminent arrival of the Queen who comes to visit her overseas dependencies in 10 days' time.

The reception she and the Duke of Edinburgh receive will be both royal and loyal, as royal and loyal as anything she had in her own kingdom during Silver Jubilee year. The British holidaymakers already thronging the Channel Islands will, of course, be out in force, waving their Union Jacks, their hats or just their arms. But the islanders will be just as enthusiastic even though the Queen comes not as head of the United Kingdom but as successor to the Duke of Normandy.

For the islands are Crown dependencies. They came to Britain with William the Conqueror and when the link with Normandy was cut they opted to stay, but they stayed as Crown dependencies rather than as part of what several centuries later became the United Kingdom. So they have their own laws, based on Norman law, their own customs and their independence from Whitehall. They may be, physically, no larger than the size of a county with populations no bigger than High Wycombe or Doncaster but they fiercely maintain their independence.

This independence is not only from the UK but from each other. Although it is sometimes assumed that because they are loosely called the Channel Islands they must be one unit, they are basically two, with laws and customs on Jersey differing from those on Guernsey (there is a further complication that the Bailiwick of Guernsey takes in Alderney, Herm, Sark and Jethou). Jersey for instance, bans the establishment of insurance companies whereas Guernsey has cultivated their presence.



While the islanders will turn out in force to greet the Queen and Prince Philip their leaders are just now less than enamoured with the Queen's representatives, or to be precise the Queen's Government. Both the Queen's Government and the Labour Party which sustains it have in the past three years taken actions that have disturbed the fine tuning of the islands' economies and this has been greatly resented.

In the 1975 Finance Act the Chancellor extended Capital Transfer Tax to those emigrating to the islands and he further enacted the legislation retrospectively to the previous December. This was a nasty blow to the islands which, under the leadership of Jersey, had developed strongly as off-shore financial centres (they strongly dislike the phrase "tax haven").

The move caused a hiccough in the flow of wealthy immigrants to the islands, though this has picked up again. Jersey has a quota of 15 wealthy immigrants a year, the definition of wealthy being that they must contribute at least £10,000 a year in tax income to the economy. Given the 20 per cent rate of tax (and no capital levies of any sort) this means that the newcomer must have a gross income of at least £50,000 a year.

Uncertainty

In 1975 the flow of wealthy newcomers dropped to nine and the spin-off from this was some depression in the price of houses and a general air of uncertainty. The following year the number had risen to 14 and last year it was 21. Jersey explains the 1977 figure being well over the 15 limit in a pragmatic way: it has averaged the last three years. This year Jersey expects to grant the full 15, which will disappoint as many again who want to leave the incidence of UK taxation for the attraction of 20 per cent.

The extension of CTT to the islands' UK immigrants is hotly resented. Mr. Peter Dorey, president of Guernsey's Advisory and Finance Committee, for instance, says it is "sheer vindictiveness. We set our tax laws because they suit us, not because we necessarily want to attract people from the UK. We set our tax levels to balance our own economy."

Certainly, the islands (and the Isle of Man, which is in the same category) have been discriminated against. It is now simpler for a UK national to emigrate anywhere else in the world than it is to the Channel Islands. An emigrant to Spain, for instance, can take £40,000 with him and bring the rest of his capital out in four years; someone going to a Common Market country can take £80,000 immediately. No such concession is available for the Channel Islands.

On top of this simmering concern was the visit in February of two Labour MPs, representing the national executive of the Party, which had taken a jaundiced view at the outflow of capital from the UK to the Islands. Ripples from the visit spread widely and banks overseas became concerned. It is impossible to say yet whether the visit caused any diminution of the inward flow of money but for a while there was considerable concern.

The MPs have not yet presented their report to the Labour Party and there are those on the islands who believe that while they may be criticised for some of their social policies they will not be attacked for their tax policies. Indeed, there is an air almost of complacency about the visit. Many believe that the MPs have seen the desirability of allowing their low-tax position to continue; others believe that Whitehall can do nothing about it in any case because of their Constitutional position.

This overlooks the factor of confidence. As the islanders point out frequently, much of the money which has flowed in has come because of their political stability. But stability is a fragile plant and even hints of action can destroy or mutilate it. It would pay them to court London a little more assiduously than they have done so far.

The growth of the financial sector in both islands (which are part of the scheduled territories) over the past 15 to 20 years has allowed the economies to grow: but it has also masked, or lessened the impact of, changes in other directions. Tourism, for instance, has been hit by costs rising faster than net earnings in the UK. In Guernsey between 1974 and 1977 the growth in real terms was just 1 per cent and last year's Jersey season was described as "patchy."

Horticulture, the other staple of the economies, has taken more of a buffeting. Since 1974 there has been a real decrease of 18 per cent in Guernsey's export earnings. Jersey, too, has suffered and both would have fared worse had not the pound fallen, making their products relatively more attractive vis-a-vis competitors such as Holland, Spain and Cyprus.

There is some evidence that the fall has bottomed out but having to find alternative employment for those no longer needed in agriculture has put pressure on the economy. Unemployment levels, despite the seasonal nature of the work, are low: Guernsey now has about 200 out of work; Jersey virtually does not admit to unemployment. It offers no central aid for those out of work, other than parish relief, which might be described as a throw-back to 19th-century England (In effect, it exports what it has to the U.K. That way its conscience as well as its budget is clear).

Both islands, however, find it difficult to place school leavers. The bulge in the birth rate in the early 1960s is now being reflected on the labour market and there is some criticism that not enough apprenticeships are being offered.

Guernsey is better situated in this respect than Jersey because it has a more buoyant light industrial sector. The size of the average industrial unit in Jersey is small whereas Tektronix in Guernsey has 670 on the payroll. Guernsey also has a better spread of firms, which Jersey would like to emulate.

On top of this, inflation remains worryingly high. Economic activity naturally tends to be dominated by what happens in the UK, since that is its major supplier, but there is a time lag of around six months. The rate of inflation went up in the islands after that in the UK and similarly lags behind in falling. Whereas the rate of increase in the UK is now of the order of 7 per cent the March figures (rates are computed quarterly in the islands) were 11.7 per cent in Jersey (over March 1977) and 12.2 per cent in Guernsey. By June, Jersey hopes to be just within single figures. Shades of Mr. Denis Healey.

There are some fears, though, that when the UK rate turns up again in the autumn rates in the islands will follow suit almost immediately. This is because the pattern of wage bargaining is tending to change. Previously, UK wage settlements tended to be accepted for island workers, many of which are in the same unions—transport workers, health services, bank employees. Then, in some cases, a local supplement was negotiated. Now, however, there is a trend towards island negotiations which could be rather more inflationary.

The biggest concern, however, centres on the debate on just how large the islands should be. Guernsey has set itself a growth rate of 3 per cent a year during the 10 years to 1984. Jersey has a limit of 500 a year to a total of 80,000.

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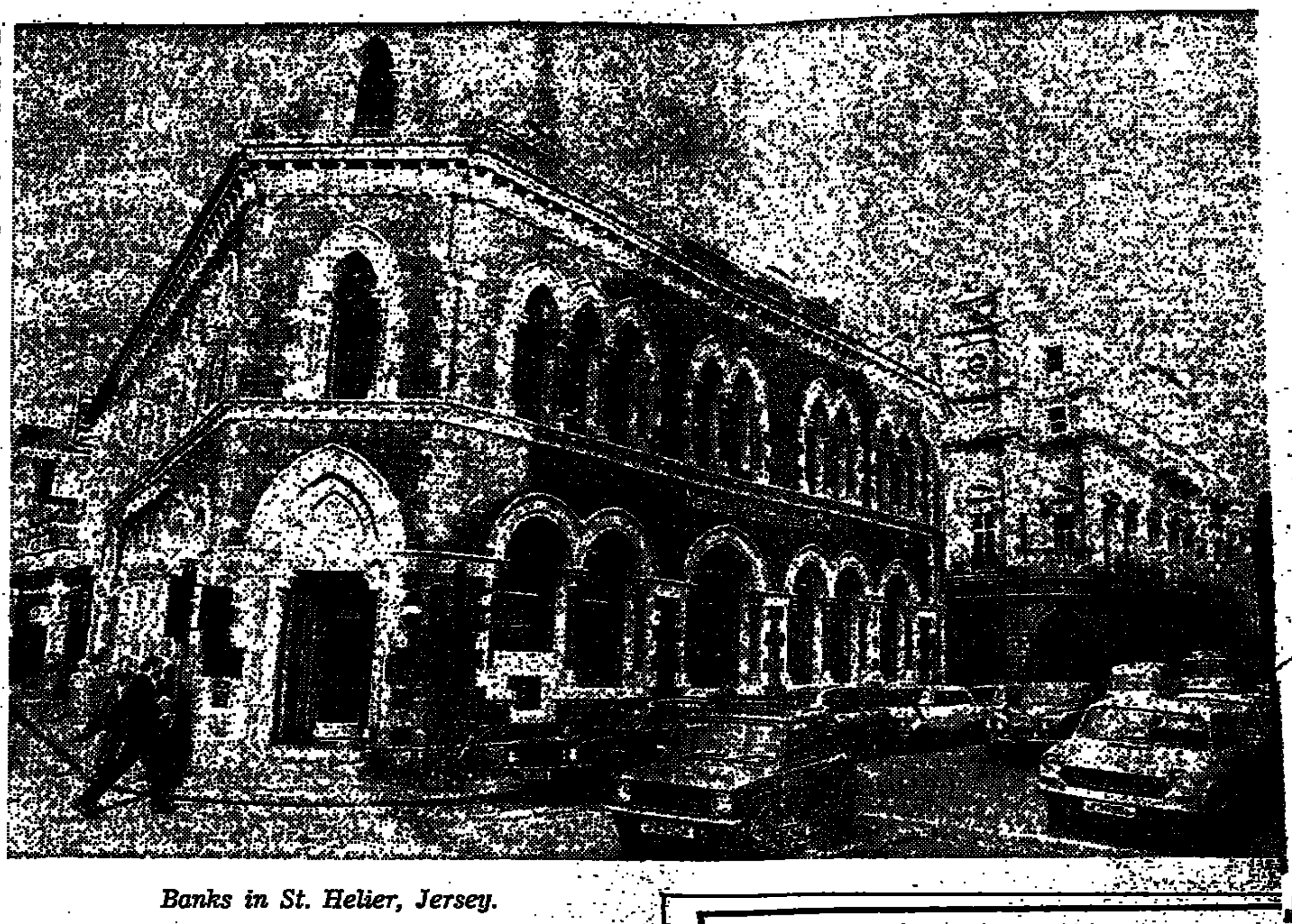
The financial sector

THE DEVELOPMENT of international banking and financial business, which is being actively encouraged in Jersey and Guernsey, has particular attractions for the islands. The banking operations are highly profitable, offering the islands a valuable source of tax as well as of employment. By concentrating on the growing offshore business, mainly in wholesale banking, the financial institutions do not make heavy demands on the resources of the islands and particularly on the limited housing available for immigrants.

It has been estimated that in Jersey the clearing banks and the banks registered under the local law produced profits liable to Jersey tax of £20m in 1976—a potential tax liability of around £2,500 for each employee—rising to some £25m in 1977. The finance centre activities account for about a quarter of the total tax income. In Guernsey the 43 institutions registered under the local Protection of Depositors Ordinance produced combined pre-tax profits of some £11m, compared with £9.2m in the previous year, representing a profit of £11,000 per employee. Yet, as the States advisory and finance committee pointed out, the demands made on the island's resources were modest, with only two additional housing licences being granted to banks apart from the clearing banks in 1977.

These figures underline the vital importance of the financial sector to the structure of the islands' economy. The extensive international finance business has taken off in the last few years, developing out of the islands' historical position as low tax centres within the sterling area. In the past two main types of activity were drawn to the islands. One was the handling of trust business and remittances on behalf of both UK residents and more particularly of expatriates; this provided the foundation for the still expanding trust business, which is now increasingly international in character.

The other was the attraction of deposits, historically mainly in sterling, from the residents of the islands and particularly from the wealthy immigrants. This business is still important, with the finance companies of the banks providing a substantial source of funds. Some of the deposits raised are used in the local market, in the form of mortgage lending—the islands have no building societies—but the bulk is available for the use of the bank parent company. A typical example is provided by National Westminster Bank Finance (CI), one of the big groups, which last year had nearly £3m. lent out on mortgages but had deposited a total of £168m. with its parent company or with other group subsidiaries.



Banks in St. Helier, Jersey.

In recent years, however, a new kind of international business has provided the main growth impetus for the finance centre activities of the islands. The attraction of course lies in their tax situation—not just the low income tax but also the absence of other imposts such as death duties, capital transfer tax and capital gains tax. The authorities in the islands are very concerned, though, that they should not be regarded as merely another tax haven. This, they argue—and their feelings are shared by the bankers—would be an insecure base on which to build their expansion plans.

Policy

The description preferred is that the islands operate as offshore financial centres, with the special characteristics of being within the sterling area. And the policy of the authorities on both the main islands is very much aimed at avoiding the accusation of merely offering methods of tax avoidance or evasion and at encouraging the development only of the most reputable banking institutions.

The point was made clearly in his last budget report by Mr. Colin Powell, the Jersey economic adviser. "Over the past year," he said, "continuing emphasis has been placed on the need to present a respectable image to the outside world." As a result of the continuing developments, the island had strengthened its position as an offshore finance centre. "It has shown more and more clearly that it is not simply a product of a special relationship with the UK to be weakened by changes in the fiscal legislation of the latter, but a centre of standing and integrity capable of attracting business from all parts of the world."

Similarly, the Guernsey advisory and finance committee remarked: "Guernsey is now well established as an offshore financial centre and there is every reason to suppose that it will continue to strengthen its position in 1978, but it may possibly prove more difficult to maintain the growth rate of recent years."

This growth has been founded on a marked change in the nature of the business being carried out in the islands. Apart from the limited number of wealthy immigrants, their activities are of little direct relevance to the UK resident; recent tax legislation has meant that it is now virtually impossible for him to take real advantage of their low tax rates. But the islands have been able to use their advantages to attract a widening range of business internationally. For these purposes they have attractions besides the tax position: their political stability, their location and their communications all provide for foreign business to move to the islands.

This has been clearly evident in the banks' trust business. They have built up in the islands an extensive expertise in international trust activities of a kind which it would be hard to find on the mainland. They will handle business, for example, for wealthy foreigners or expatriates perhaps in politically unstable areas who want to find a safe haven for their funds.

They are able to provide a channel for investment into the UK through discretionary trusts and through gilt-edged funds which have particular benefits for the investor. Similarly, the islands provide the base for an extensive range of unit trust operations of an international nature. The important development in recent years is that much of the new business is of international origin and in foreign currency rather than sterling. It is a highly specialised service which the bankers say can be provided to customers anywhere in the world.

A second recent development, particularly in Jersey, has been the growth of the booking of international loans through the islands. This business, archetypically offshore banking, is providing an important draw for the growing number of major international banks which are finding advantages in setting up in the islands. The community includes banks like the Bank of America, Citibank, Hongkong and Shanghai and recently the Algemene Bank Nederland and the Bank of Bilbao. Booking international loans through the islands provides them with the opportunity to keep down the average tax rate on their overall portfolio.

The tax rates are also the main reason for the growing numbers of companies being set up in the islands. These companies, often subsidiaries of major international corporations, are used for a wide variety of purposes, with the common theme of enabling their owners to take advantage of a flexible vehicle for reducing tax liabilities. Mr. Powell commented: "The use of Jersey by foreign residents and foreign companies continues for a variety of reasons, some associated with the minimising of international tax liabilities but others more associated with the political uncertainty in the areas in which those concerned are resident."

Insurance

The finance centre activities of Guernsey have one feature—the captive insurance market—which does not at present exist in Jersey (where insurance companies cannot be established). This business has been one of the main aspects of the growth of the island as an offshore finance centre, with a growing number of companies finding benefits in forming companies based in Guernsey primarily to insure some or all of their own risks. The Guernsey economic report stated that the island had "continued to establish itself as an insurance centre with many new captive insurance companies being formed during the year to underwrite the risks of their parent organisations."

The financial activities of the islands are therefore expected to provide an essential and expanding part of their economies and have reached the point where their international growth should be self-sustaining. The islands recognise that because of their proximity to the major money markets of London they are unlikely to develop as full international money centres—though there is some interbank business being carried out. But as offshore centres they maintain that they have the foundations of a long-term development which will incidentally produce growing benefits for the invisible earnings and the balance of payments of the UK as a whole.

Michael Blanden

Friction

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Unless you happen to be rich enough to qualify as one of Jersey's 15 wealthy immigrants or able to buy a house on Guernsey's open list (starting price around £70,000) then the islands erect many hurdles to potential newcomers, some of which seem difficult to justify to outsiders and all of which involve a degree of bureaucracy which would be roundly condemned if practised elsewhere.

On Jersey, for instance, you have to live and work on the island for ten years without a "consent" before accommodation can be leased and a further ten years before it can be bought. On Guernsey's closed list of properties, which are cheaper than those on the open list (though not always so) only 100 licences for house purchase are issued a year and the government takes first pick for those employees it wants. Even some Guernsey-born people find it difficult to return because of the rules.

Yet the islands need more immigrants or new companies if they are to expand. With the non-financial sectors flat extra revenue to finance growth must come from the taxes wealthy settlers bring with them or from the business created by the corporate sector. This is because they are precluded from raising the level of taxation.

Success

The way in which the islands have developed the financial sector has been the great success story of the last two decades or more and has allowed them to attain their enviable level of prosperity. In 1976 banking and finance was responsible for employing 2,545 people in Jersey and probably 1,000 in banking in Guernsey.

Banks alone produced a profit liable for tax last year of some £25m in Jersey and £11m in Guernsey. In Jersey there is a potential tax liability of well over £2,500 for every employee in the financial sector compared with £400 in the rest of the community.

New companies registered have also been growing fast. In the first ten months of last year (the last date at which figures were available) 1,499 had been registered in Jersey compared with 1,537 in the previous year and 1,256 in 1975. Over in Guernsey, 899 were registered last year, a rise of 185 over 1976.

Both islands are aware of the need for legislation to enhance their image as centres of financial probity. Two bank collapses some years ago led the authorities to be increasingly concerned about both the quality of new entrants and the need to prevent imbalance arising. There is still ample growth ahead for the financial sector if sensible policies are adopted on population growth. This is the key...

Reforming company law

WITH A company law in Jersey basically unchanged since 1861, and in Guernsey since 1908 — both originally in French—no responsible person in the islands pretends that the existing legal frameworks are adequate to contain today's sophisticated financial activities.

The question has been how far and how fast reform should go. The islands' present laws, whatever their deficiencies, have the attraction for clients of being uncomplicated and not unduly restrictive. To what extent can offshore havens afford to start stirring up the dust with new brooms?

Is the fact, for instance, that one cannot discover the names of a Jersey company's directors (unless one of them happens to sign — legibly — the annual return) unjustifiable secrecy, or, as the island's legal fraternity maintains, a perfectly proper bit of confidentiality that causes no problems?

So while company law reform has been under discussion in Jersey and Guernsey for some years, little has so far got on to the statute book except protection of depositors' legislation.

At one time it looked as if the islands might be going to adopt radically different approaches to the question, with Jersey opting for sweeping reform and Guernsey for gradual amendment.

In 1971 Jersey appointed as its first commercial relations officer David Morgan, formerly head of legal services at Jordan and Sons in London, whose well-publicised brief was to draw up a modern commercial code suited to the island's new role as a financial centre. Guernsey avoided any involvement in its neighbour's apparent reforming zeal and set up a working party of professional men to make a quiet reappraisal of the existing law.

In the event it looks as if both islands are probably going to follow much the same course of extending or amending their legislation where it seems prudent or profitable to do so, since Jersey's professional community has shown itself determinedly opposed to any kind of clean sweep.

Of the four draft laws that David Morgan produced, the only one that has made progress so far is a proposed Trusts and Trustees Law. Another dealing with mortgages of movable property is also likely to be enacted eventually, since, like the trust law, it is seen as good for business.

But the main part of Morgan's work, embodied in draft company and insolvency laws, has met with general hostility. One foreign bank's legal expert believes that if it went through Jersey would have one of the most modern commercial codes in the world, but he queried whether a tax haven such as Jersey was adopting was the right approach.

Morgan himself, now back in private practice in St. Helier, thinks that many people in the island have "conveniently forgotten" the climate of opinion that led to his appointment following two bank collapses and a run of local bankruptcies.

He points out, too, that his assignment was to draw up a legal framework for a financial centre—"not a tax haven." This he did with a thoroughness that has won him considerable respect internationally, if not at home, studying recent legislation and reform proposals throughout the world to give Jersey a code that he hoped would see it through the next century.

Reaction

The local reaction to his proposals, he thinks, has been "negative and unconstructive," especially as several of the points attacked by the island's professional community (spelling out the responsibilities of directors, for example) are now being advocated by their parent bodies in the UK. "The implication seems to be that the local professional community wants lower standards here," he says.

On the other hand, some of the arguments being used against Morgan's proposals certainly swayed Guernsey's authorities in deciding not to embark on a complete rewriting of company law.

At present Channel Islands courts can draw on UK precedent in interpreting their English-based company laws. Introducing legislation untried elsewhere, Guernsey felt, could lead to great difficulties and perhaps endless and costly appeals to a higher court.

There are a number of Morgan's specific proposals that have been welcomed and will undoubtedly find their way on to Jersey's statute book. These include removing a prohobition on setting up insurance companies (which would enable Jersey to compete with Guernsey for captive business), and provision for creating floating charges.

The trust law is something that has been increasingly recognised as necessary with the falling-off of trust business from the UK—discouraged by CTT—and the need to turn to the international market. Overseas clients are less ready than the British to accept that English statutes and case law establish the validity of trusts in Jersey.

The delay in bringing forward legislation has been due to professional objections to some of the original provisions, notably those proposing registration of trusts, a system of approved trustees, and regular audits. Morgan hopes that his third draft, in which he has either dropped or considerably modified those provisions, will prove acceptable.

While working on the latest version he had an opportunity of conferring with a recognised authority on comparative law, Professor H. R. Hahlo of the University of Toronto, who was concerned with the trust codes of Quebec and Louisiana—areas with a similar French background to Jersey.

The outcome has been a longer and more explicit law than what Morgan now feels was a "too skimpy" first effort—a point to be noted, he thinks, by those who have criticised his company and insolvency laws for being too lengthy and complicated. Guernsey's first imminent piece of legislation is a long-awaited insurance law, designed to provide a proper legal framework for the island's expanding business in this field, especially as a base for captives.

The law will give the finance committee wide discretionary and investigatory powers, and insurance companies will have to be licensed annually in the same way as banks (except those already authorised by the UK Department of Trade).

It will no longer be possible to operate an insurance company as a non-resident company, one registered locally but with no place of business in the island. "Such companies will either have to come onshore or cease trading," says Guernsey's commercial relations officer, Bruce Riley.

The island is also planning to bring in legislation to deal with the same problem as Jersey's proposed Mortgages of Movable Property Law — the difficulty in obtaining a valid charge over personalty in the Channel Islands — though Guernsey, unlike Jersey, is not at present envisaging any system of registering charges.

Guernsey's working party on company law reform has now virtually completed its job, but it is likely to be several years before all its proposals are implemented.

Areas in which reform is seen as desirable include a number that Morgan has pointed out in Jersey: the need to define the duties of directors, to ensure that directors of insolvent companies cannot so easily escape personal liability; to be able to deal effectively with fraudulent preference.

Guernsey, it can be assumed, will watch the reactions to Jersey's trust law, and Jersey to its neighbour's insurance law. In fact, the islands now seem likely to keep rather more in step on company law reform than looked probable at one time — a situation that would certainly make life easier for their international clients.

Edward Owen

St. Peter Port, Guernsey.

Support for the farmer

THE CHANNEL Islands might be forgiven for being complacent about horticulture. Every year Jersey new potatoes and Guernsey tomatoes arrive in the UK shops ahead of most of the competition, and every year, it seems, they contribute more and more revenue to the islands' economies. There never seems to be a bad year, and poor crops in the UK during the droughts of recent years have also helped the islands to boost their sales.

The market for Jersey potatoes, for instance, was greatly helped last year by the effects of the 1976 drought. The UK main crop was poor and the weather in the spring of 1977 delayed the digging of early potatoes in the UK. Aided by a large crop, the value of potato exports by Jersey showed a 45 per cent increase over 1976. Other crops—tomatoes, cauliflowers, flowers—did not fare so well, but only cauliflowers showed a fall in sales and this could be put down to the effects of the previous dry summer.

Total export value for the first nine months of 1977 amounted to £13.76m, with potatoes accounting for £8.26m of this. But while this is clearly useful revenue, one almost gets the impression that the value of the farm sector lies more in its contribution to a broad range of economic activity and to an environment that cannot be allowed to succumb to any major urbanisation or industrialisation.

The Agriculture and Horticulture Committee is at pains to point to the importance of the sector as an employer—some 5,000 people are involved—and as an essential factor in preserving the island's pleasantly rural atmosphere, which is one of its attractions for the holidaymaker.

The intention therefore has to be to produce as far as possible high value, low bulk exports, while at the same time reducing the need for imports by producing as much milk and other dairy products within the island as possible. In fact Jersey now supplies all its own needs for milk.

In support of these aims is a generous range of incentives aimed at helping the farmer to improve his holding and achieve higher efficiency. Cheap loans are available, as is free advice, and at present a lot of money is being spent on research into new techniques such as hydroponics — soilless cultivation.

A marketing campaign for the Jersey potato is also under way, concentrated largely in London and the north of England and using various media, including local radio.

And for the future it seems there is great scope for developing the islands fishing industry, possibly by setting up fish farms; around £1.5m worth of shellfish was exported last year, most of it to France.

Much the same pattern occurs in Guernsey, although the farm sector is a bigger contributor to the island economy, with around a 27 per cent share. Last year's performance was steady following a slight decline in earnings in 1976. Tomato exports, based on a crop slightly greater than in the two previous years, brought in £22m, an increase of £3m over 1976.

As in Jersey, there has been increased investment in horticulture during the past few years, and this, according to the States Committee for Horticulture, is paying off in higher productivity: around 30lbs of tomatoes per plant for instance. Current research is directed not only to improving yields but also to finding new high value crops such as pot plants. There has also been heavy investment in new glass, particularly the modern 24 inch panes, and grants are available for new installations or around 13-15 per cent of the capital cost for large growers and up to 25 per cent for small growers.

Grants

(A notable example of the importance of horticulture in the island was provided recently during an argument over whether the grants scheme has been "abused" by the disclosure of the names of those who had taken advantage of it. One issue of the Guernsey Evening Press devoted no fewer than 198 column inches to a report of the debate on the subject in the States, the island parliament.)

The islands have a climate that is benign, rarely causing a crop failure; they have an arrangement with the EEC that seems to involve them in no discomfort—more than can be said for UK farmers; and the threat of serious competition to their products from other countries has been fairly slow to materialise, aided in part by the weakness of the pound.

Agriculture and horticulture are essential to the balanced economy that the islands want to preserve, and there is no doubt about their commitment to preserving the industry in roughly its present form, through government support when necessary.

Colin Inman

Steady growth of light industry

IN SPITE of limited land and labour resources the amount of light industry in the Channel Islands has grown steadily in the last decade both in terms of new enterprises and in the expansion of established operations and every plant is enjoying a boom.

Today Jersey and Guernsey export light industrial products worth an estimated £40m to £50m a year. The kind of goods varies enormously, from complete mobile outside broadcast television units made by RCA in Jersey, to polythene waste bags and liquid denture cleansers, which are among the products of the Universal Packaging and Simco companies of Guernsey.

In the main, light industrial effort in each island can be divided into six main categories: electronics; engineering; horticultural equipment; knitwear; boat building; marine engineering; and miscellaneous manufacturing.

The majority of directors and managers in industry are juggling more frequently with the problems of growth—finding more room and skilled labour—than they are with anything else.

In a sense much of this success derives from the fact that most firms have looked very carefully at the Channel Islands' environment before setting up. And each has been equally carefully vetted by government selection bodies which are all too conscious of the effects of a bad choice, or of allowing one company to swallow up too much labour.

In terms of light industry elsewhere, the units operating in the islands are small and unobtrusive. The largest single employer, for example, Guernsey's oscilloscope makers Tektronix, set up in 1958, today has a workforce of only 670, mostly housed in a factory near the airport. This number of employees is exceptional; most other units employ no more than 150 to 200 workers and many fewer than 50.

Throughout the islands there are probably no more than 3,500 workers directly employed by light industry. However, this is expected to grow as Jersey, faced with a "bulge" in school leavers in the coming years, opens its doors wider to suitable new units.

Traditional

Several hundred workers are engaged in more traditional pursuits—knitwear and boat building, both of which, generations ago, were substantial local industries.

Much of the success of today's knitwear operations has sprung from an increasing worldwide interest in locally made Jersey and Guernsey fishermen's style sweaters.

There are four companies in Guernsey producing garments and several more in Jersey. The range includes Arun, Breton and other styles of woollens and although total annual export values are not available for Guernsey, Jersey's are now said to be worth over £5m.

Major markets includes the UK, Scandinavia, Europe, America and the Middle East and the annual influx of over 1m visitors provides a substantial home market.

Boat building, currently concentrated in Guernsey but expanding in Jersey, is another healthy category of light industry turning over several million pounds a year. The range of products and services is constantly expanding and it is hoped will grow large enough to provide the nucleus of a regular annual international boat show held alternately in Jersey and Guernsey. The first was held in St. Peter Port earlier this year.

Guernsey's boat building and marine industry has been assisted by keen local interest in boats and yachting and, in particular, by the number of UK and European yachtsmen attracted by the island's three marinas, and by low-duty VAT-free shopping that includes the purchase and installation of all kinds of equipment and fittings.

Even a small firm like P. R. Jeffries specialising in locally made marine soft furnishings has been obliged recently to move into a new 4,000 sq ft factory because of demand, especially from visiting French yachtsmen.

There has also been a substantial increase in marine service business including insurance, finance, brokerage and boat company management.

The range of craft produced includes pleasure and commercial vessels of up to 60 feet in length including steel, wood and fibreglass hulled boats. They include a variety of racing yachts, some selling at £70,000 or more, ¼-tonners by Master Marine, commercial craft and launches by Guernsey Boatbuilding and Engineering, and several types of working and pleasure vessels from Aqua-Star selling at between £10,000 and £40,000 and more. One firm has specialised in the production of canal holiday cruising barges.

Island-made boats are today regularly exported to the UK, Scandinavia, France and in some instances to the Middle and Far East.

Most of the other activities, especially electronics, are relatively new. A typical example is Eurotherm (Guernsey), a subsidiary of the UK-based international group whose recent offer of a quarter of its shares to the public was heavily oversubscribed.

Output

Its Guernsey subsidiary, started only five years ago, employs about 100 staff in a pleasant, purpose-built factory in St. Peter Port and produces sub-assembly units for other companies in the group. Output is expected to reach £1m this year and, according to general manager, Mr. Bill Morton, there is a possibility that as his workforce improves its capability the company will eventually graduate to making complete units of its own for direct export.

Each island has set aside a small amount of industrial development land and special local government departments deal with inquiries. In Guernsey these are directed to Mr. Ron Barton, industrial development officer, and in Jersey to Mr. Colin Powell, economic adviser.

Mr. Barton said: "One of the main attractions of setting up in the islands is undoubtedly the low-tax situation which favours small to medium-sized companies and enables them to generate capital. It is a perk too for senior executives."

In his 1978 Guide For Industrialists, he writes: "The island's location is good for developing French markets and in many ways life is much less complicated when compared with that in a larger community."

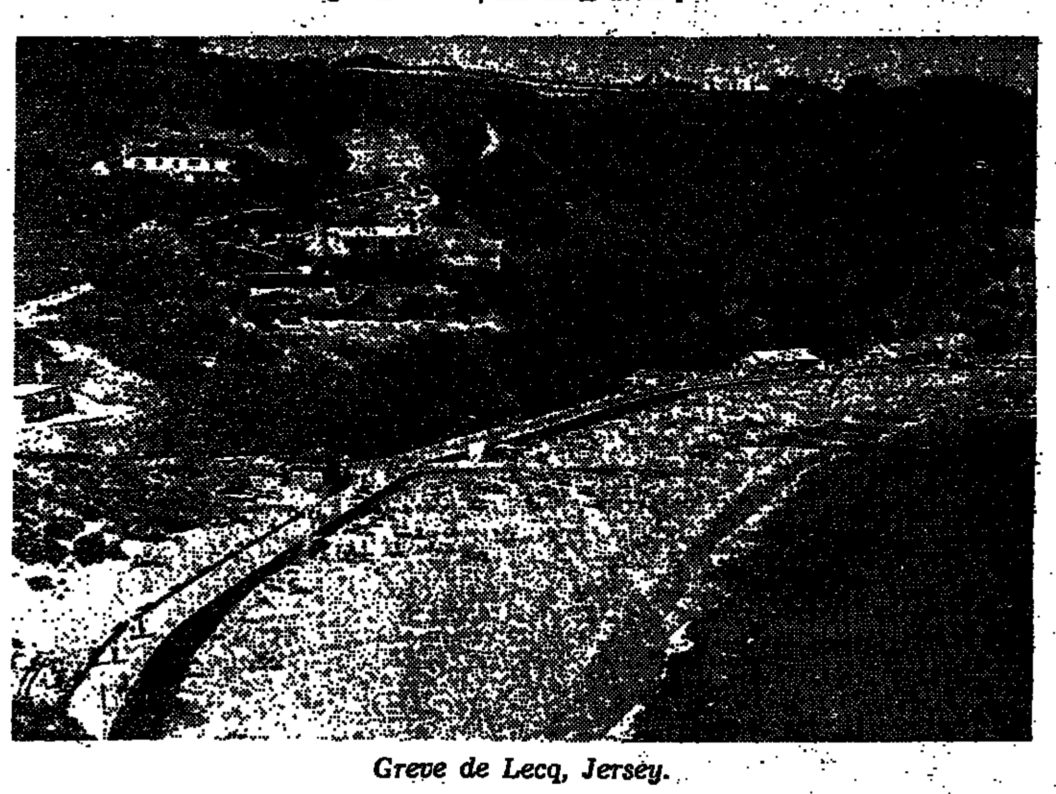
He also points to the absence of PAYE and "the maze of statistical returns which have to be negotiated in the UK" . . . "the simple life is a real attraction to industries and management time is not diverted to non-productive occupations."

All the same points can, of course, be made for Jersey.

In addition the islands have a special relationship with the EEC where they are "in" for trade, but "out" for everything else. They have political stability, and reasonable communications with the outside world.

The attractions are such that to encourage the small amount of suitable new light industries required to take up any slack in the labour market neither island needs to offer any kind of financial assistance to potential newcomers. But money has been spent improving and expanding local colleges of further education to help school-leavers prepare for the expanding variety of new opportunities slowly opening up.

Bob Baker



Greve de Lecq, Jersey.

The property market

ABOUT £50M worth of commercial and residential property is sold every year in Jersey and Guernsey. The figure has to be an estimate because, while all transactions are placed on public record, no one totals up the sums involved.

In Guernsey a reasonable guide is provided by the amount of *feudal congé* collected annually on behalf of the Queen — as Duke of Normandy — and some 20 privae *seigneurs*.

The *congé*, which is scheduled to be abolished, is an ancient 2 per cent levy on land and property sales paid to the owners of the fiefs on which the realty lies. It raises around £350,000 a year towards the Crown's local presence, which includes the Lieutenant governor and the prison, and an estimated £80,000 for the private *seigneurs*.

This indicates annual property sales of around £20m, although no one can be sure how much additional business is done by share transfer where *congé* does not apply.

In Jersey the situation is monitored only by the privately owned fortnightly publication *Paul's Guide to Jersey Property*, which gives subscribers the basic information about all recent transactions, including the sums involved.

Mr. Paul Ostroumoff, the Editor, estimates that, excluding purchases by share transfer, annual sales average about £30m.

The bulk of the business in each island involves the buying and selling of homes by islanders at prices starting at £10,000 to £12,000 in Guernsey and from £15,000 in Jersey for government-built homes, or from £30,000 upwards for those in the private sector. Routine business also includes a steady turnover in small- to medium-sized hotels and guest houses at between £50,000 and £250,000.

With the exception of two recently completed commercial developments in Guernsey — Commerce House and Albert House — neither island has a great deal of office accommodation on offer and rentals range from £3 to £4 a square foot.

The more spectacular deals involve the occasional sale of a commercial development where £1m or more can be paid by private or institutional investors. St. Peter Port's Royal Hotel, for instance, recently changed hands it is thought for £1m. Wealthy settlers pay prices ranging from £70,000 upwards in Guernsey and from £100,000 in Jersey.

Freehold

Very occasionally an island might come on the market, too. There are three — Jethou and Lihou, off Guernsey, which are Crown leaseholds tenanted by Sir Charles Hayward and Lt.Col. Patrick Wootton, and Brecqhou, a Sark freehold owned and occupied since 1966 by Mr. Leonard Matchan.

Almost all property business is conducted through locally based estate agents and advocates and while there is a call for the introduction of controls over agents, there is no lobby for a layman's conveyancing system.

Some estate agents in both Jersey and Guernsey— and this in spite of the former's Regulation of Undertakings and Development Law—claim to be worried about their expanding numbers—there are about 30 in each island.

Mr. Fred Langlois, president of the Jersey Estate Agents Association, said: "Anyone can set up *overnight* here as an estate agent and accept deposits from the public. These should go into a separate account, with the interest payable to the client. However, we do not want to set up a closed shop, but a licensing system and some kind of statutory indemnity arrangement, as in France, would help protect the public."

Other agents point to new controls being proposed for the UK and already introduced in the Isle of Man which, they say, will leave Jersey and Guernsey behind. So far, however, their concern has produced no noticeable political support.

The prospect of advocates being affected by trends elsewhere towards a simple, cheap layman's conveyancing system is remote because of the peculiarities of the islands' laws. These include inheritance legislation dating back to Norman times, and housing controls through which each island government regulates immigration.

CONTINUED ON NEXT PAGE

Tourism set fair

THE CHANNEL ISLANDS narrowly escaped disaster in March this year when the Amoco Cadiz went aground on the coast of Brittany. At one time oil from the tanker was only about 30 miles from the islands' beaches, and emergency measures to fight the oil, including a fleet of ships armed with dispersant equipment, were made ready for action.

In the event, and with the aid of favourable winds, the oil moved away, catastrophe was averted and the islands breathed a sigh of relief. For much was at stake. Had the oil come ashore there would have been queues of holidaymakers at UK travel agents offices cancelling their bookings and looking for better conditions elsewhere. And this in a season that is not going to be the busiest that the islands have seen.

Admittedly, sand, sunshine and the sea are not the be all and end all of Channel Islands tourism, but they are a significant part of their attraction. The beaches on both Jersey and Guernsey are sandy and often secluded, suiting the young who want to search for shellfish in the rockpools, the sedentary who want to sunbathe—the islands regularly top the UK hours of sunshine list—or the energetic who enjoy swimming and surfing.

But visitors also return to the islands year after year because, in spite of the rising cost of getting there, they are a relatively cheap place to take a holiday and because, although the main towns have suffered their share of modernisation, they still exude enough of a foreign atmosphere to make the UK holidaymaker feel he is abroad, while at the same time presenting none of the problems posed by a foreign language or strange food.

Although the cost of living on the islands is slightly higher than in the UK, the visitor benefits from accommodation that is cheaper than in comparable resorts and also from the absence of duty on alcohol, which means that a pint of bitter can cost as little as 21p—and an added attraction is the duty free allowances of drink, tobacco and perfume that may be taken back to the UK. Add to this an above average selection of things to do when the weather turns bad, and a range of evening entertainment that is adequate, if not spectacular, and the islands' continuing popularity is not hard to account for.

Indeed the suggestion made last year that Jersey might soon become too full for comfort in the summer season prompted the island government to prepare a Report and Proposition Regarding Tourism, which was published last February. The report concluded that there was no real possibility of overcrowding and recommended that the island should maintain the industry's contribution to the economy (£70m at present) at about its curent level in real terms.

Any further growth in tourist traffic should be encouraged to take place in the early and late seasons, and the report paid particular attention to the marketing of the island in France and other Continental countries.

La Coupée which joins Sark and Little Sark.

Much the same sort of pattern can be seen in Guernsey: attempts to gain revenue by extending the season to run from April to October, efforts to attract conferences, active promotion in other countries because of the plateau in UK arrivals.

What is surprising to the outsider is the extent to which Jersey and Guernsey pursue separate paths in promoting their wares. It is difficult to understand why they do not join together in the Continental marketing campaign, with, presumably, a consequent saving in costs—but this seems to be a political problem. The major markets now being tapped include France—with special emphasis on day shopping trips—Belgium, Holland (Guernsey) and recently Scandinavia (Jersey), and it is the growth in arrivals from these countries that has kept the industry from seeing a slight decline. Whereas five years ago UK visitors made up around 95 per cent of the total, the figure is now only 76 per cent in Jersey, while there has also been a 7-10 per cent fall off in Guernsey.

Initiative

In part the Continental initiative was sparked off a few years ago by the realisation that the UK was in for a sticky time economically, and the number of arrivals showed this fear to be justified. But now, it seems the level is beginning to pick up again, although neither island expects that 1978 is going to break any records — part of the reason for this being the extremely favourable exchange rate of the Spanish peseta, which is attracting a lot of British tourists.

And then there is the vexed question of air fares, and this is a matter on which there is little disagreement between the islands: they are high. It costs around £50 for the return flight from London, and about £75 from the north of England. These are big sums to have to hide in the cost of a package — 60 per cent of Jersey's visitors come on package holidays — and they make the occasional trip to the UK an expensive proposition for the islander.

The airlines' argument is the not unreasonable one that full summer flights help to subsidise uneconomic winter ones—and even at the prices charged British Airways makes a loss on its Channel Islands services.

Traditionally the island tourist authorities have not permitted charter flights, partly for fear of causing a concomitant reduction in the number of scheduled flights, which would undoubtedly upset both residents and the financial community.

But now it seems there is a change of heart, for Jersey has decided to admit charters from the north of England and the Midlands; and it seems likely that Guernsey will follow suit. The move has been welcomed warmly by the tour operators but non-committally by Jerseymen, who prefer to wait and see what effect the move has.

Both islands realised long ago that tourism would continue to form an important and integral part of a balanced economy, but in neither island has the money been available for large-scale hotel investment. A principal reason for this is that the cheapest form of large hotel is high rise, and such buildings are banned on both Jersey and Guernsey. Instead efforts have been made to encourage the modernisation of existing hotel and guest house accommodation.

But the major investment in tourism made in the islands during recent years—and here it is hard not to detect an element of competition, though the islands deny it—is in leisure centres. Jersey's Fort Regent is a massive entertainment and sports complex situated in the 150-year-old fort in the centre of St. Helier. Facilities include swimming pools, sauna, solarium, aquarium, aviary, amusements, shops, exhibitions, live entertainment, restaurants, cafes and a night club. Although plans to include a large conference hall had to be abandoned as uneconomic, a sports hall is due to open shortly. Many local residents regard the place as an eyesore, but in fact it is hard to think of a comparable complex that blends so well into the centre of a popular tourist resort.

Guernsey's centre, called Beau Sejour, has been designed possibly with greater attention to providing facilities for the local population during the winter months. It includes a range of halls that can be adapted for use for sporting activities, conferences, dinners, concerts, theatrical performances, etc., as well as swimming pools, squash courts, etc. The centre has had its teething troubles, not least during the political arguments that raged about whether it should be built at all, but the millionth visitor has just passed through its doors, and the queues on a wet day in summer point firmly to a need fulfilled.

Queues

These queues are likely to be more or less welcome to the tourist authorities, since they indicate revenue gained, but the other queues that can be seen on the islands' roads are a headache for which no immediate remedy is available. For the fact is that the roads on both islands are too narrow to cope with the amount of traffic that is using them. A car is almost a necessity if the visitor wants to see much of the islands, car hire is cheap and, in addition, more and more visitors are bringing their own cars from the UK. A road building programme would not be a practical answer—and in many ways would be a negation of the sort of tourist environment that the islands present. The only short-term remedy that seems likely to have any success would be to put up a few signposts here and there—at least this would reduce the amount of time that one had to be on the road.

And there is a further problem that may well become more serious during the next few years: labour. Each summer the islands have to rely on imported workers: most of those in Guernsey come from the U.K., but Jersey imports around 2,000 Portuguese. For one thing these workers have to be housed by their employer, Channel Islands accommodation being otherwise too expensive; for another many employers are worried that the increasing activity by trades unions will force wages up and hours down to an extent that will be reflected in higher prices; and the risk exists that if Portugal was to join the EEC its workers might find more attractive opportunities in West Germany or other EEC countries.

But none of these factors is a potential source of disaster. For the immmediate future the prospects for Channel Islands tourism are set fair, and the respective tourist organisations seem to have it well within their power to ensure that the climate does not alter for the worse.

Colin Inman

Property

CONTINUED FROM PREVIOUS PAGE

Introduced, after the war as a means of reserving as much low-cost residential property as possible for bona fide islanders, the laws have been regularly tightened to the detriment of potential immigrants most of whom come from the UK.

And the trend is for these controls to become even tougher as the population continues to rise. Typically, Jersey and Guernsey have gone different ways in tackling the problem, and each island uses its own legal yardstick to identify islanders and different systems of control.

Newcomers to Jersey must live on the island for ten years before they can lease property, and a further ten years before they can buy—with the exception of those born on the island, essential workers, and the wealthy settlers.

Also all property transactions are subject to the consent of the housing committee, which expects to intervene in 100 cases this year where it is unhappy about the price or other factors. Guernsey does not have this rule.

Also in Jersey, and again unlike Guernsey, all applications from wealthy settlers are vetted. The process includes being able to prove an annual local income-tax liability of at least £10,000 a year coupled with the purchase of a house costing more than £100,000. Only 15 new applications are granted a year.

In Guernsey an islander is someone who lived permanently on the island between January 1, 1939, and June 30, 1957, and on July 31, 1968. These are sometimes referred to as the "magic dates." Everyone else—including many expatriate island-born—must, unless living with an islander, occupy lodgings, obtain a licence, or buy properties from an open register of houses, mostly already occupied.

There is little doubt that these controls, while perhaps controversial—one Guernsey dispute has gone as far as the Commission of Human Rights at Strasbourg—have helped preserve homes for local people. And in Guernsey it is claimed they have helped to keep prices down.

Housing problems, which 10 years ago were acute, have also been eased by government building programmes, private building, and more recently by the introduction of long-term house loan schemes by several banks.

Today, in spite of the absence of UK building societies, which are prevented by UK law from extending to the islands, an estimated 67 per cent of all residential property in Guernsey is owner-occupied, while the figure for Jersey is around 60 per cent.

Nevertheless, at present many young couples who fall outside the scope of island government loan schemes, and who are facing rising property prices, still find it difficult to produce deposits of around 20 per cent sought by most private mortgage schemes.

With new building land virtually exhausted in Jersey and in very short supply in Guernsey both islands are having to look towards the creation of more flats, mainly by encouraging the conversion of large residences, or guest houses.

As might be expected, the property situation is different again in the more outlying isles of Alderney and Sark which have no housing control laws. In Alderney, where on average about 40 of the 500 properties are on the market at any given time, it is unusual for even the most modest to sell for less than £20,000.

Newcomers need to think in terms of laying out at least £25,000 to £30,000 for anything substantial.

Because of its feudal structure, there are only 40 freehold properties in Sark, each with its own hereditary seat in the island's parliament, Chief Pleas.

Bob Baker

LOMBARD

Take-overs and the employee

BY GEOFFREY OWEN

MANY PEOPLE agree in principle that employees have a right to be consulted about mergers and take-overs, but it is difficult to devise machinery which allows them to exercise this right without damaging the interests of shareholders. In the absence of such machinery employees have found a surprisingly effective way of frustrating mergers which they do not like. This is to put pressure on the Government to refer them to the Monopolies Commission. At the very least such a reference will delay the proposal: in a good many cases the bidder will give up.

Dispassionate

A classic case was the Associated Engineering bid for Serck last year. The employees kicked up a tremendous fuss, threatening all kinds of unpleasant action if the bid went through. While there were some other factors which might have justified a reference, the Government was impressed by the Serck workers' case: it was felt that a Commission inquiry would give time for tempers to cool and for the anxieties of the employees to be examined dispassionately. In the event, Associated Engineering dropped the bid after the reference was announced.

The Government is now faced with a similar case—the bid by Tenneco, one of the largest U.S. conglomerates, for Albright and Wilson. Some trade union officials have objected to the bid and the Government, with an election in the offing, has no wish to cause needless offence. But on any other grounds a reference to the Commission seems quite unnecessary.

For one thing, Tenneco already has effective control of the British company through its holding of just below 50 per cent. If the Government was unhappy about Tenneco's influence over Albright, a reference to the Commission could have been made some years ago; it is hard to see what public interest issues are raised by the move to 100 per cent control.

In the late sixties and early seventies Tenneco made a large and risky commitment to a company which was in serious trouble: the American investors helped to steer Albright through the crisis. For the Government to turn on Tenneco now seems unreasonable and unfair.

Moreover—and this is an important consideration—a reference would imply a partial acceptance by the Government of the chauvinistic arguments used by opponents of the bid. It would be regarded by other foreign investors as a significant change in official attitudes.

Successive UK governments have consistently welcomed inward investment by foreign, especially American, companies. Very few bids by foreign companies have been referred to the Commission. Of those that have been referred, almost all have been cleared.

The only case where a foreign bid was rejected largely because of its foreign-ness was the offer by Eurocanadian Shipholdings for Manchester Liners and Furness Withy. There the Commission found that service to British shippers would be adversely affected if Manchester Liners was controlled from abroad. The bid might disrupt the conference system and the new owners would be less likely to order ships and containers from UK suppliers.

None of these dangers apply to Albright. One suggestion which has been put forward is that Albright is an important British chemical company and that it is in the interests of the nation that its "Britishness" should be preserved, at least to the extent of retaining a large British shareholding. In this way the power of the controlling shareholder is somewhat reduced and Albright's ability for example, to play its part in the industrial strategy is thought to be somewhat enhanced. This seems an extremely tenuous argument, especially when set against the importance of encouraging inward investment.

New procedures

The real problem with cases like Tenneco-Albright is that the merger control arrangements are being used for a purpose that was not intended in the legislation. If we want to move to a position where the consent of employees has to be obtained for merger proposals, as is the case in some other countries, then procedures should be established for that to take place within the companies concerned. Reassuring employees about the consequences of a merger is not an appropriate job for the Monopolies Commission.

AROUND BRITAIN

MERSEYSIDE

Exploding the myth

BY RHYS DAVID

MERSEYSIDE has had its best industrial news for some time with the announcement that both the General Electric Company and Lucas Aerospace—two of the concerns involved in recent major closures in the area — are to invest in new plants.

GEC, after settling its dispute with the Government over the terms of assistance, will be getting £5m towards the £18m cost of a new furniture factory which its subsidiary, GEC-Schreiber, is to build at Runcorn. Lucas, too, will be receiving very generous Government aid in return for switching its proposed new aerospace equipment plant from Birmingham, the site originally chosen, to Huyton, where it will be spending £10.5m on a purpose-built plant.

The two new projects will together create only about 1,200 jobs, compared with a loss of more than 2,000 through the two earlier closures. But the moves none the less are highly welcome on Merseyside, not least because they are seen as evidence that the area has not, fairly or unfairly, been placed on an industrial blacklist by potential investors.

For, as a recent report commissioned by the Department of Industry pointed out, the root of many of Merseyside's problems is now its poor image and the mythology that has grown up surrounding its industrial relations performance. "Whatever the facts are on the area's strike record the allegations of poor industrial relations are now levelled so frequently, from so many different quarters, that the refusal of many people outside Merseyside to believe the facts must now be regarded as a fact in itself," the report, by PA Management Consultants, concluded.

Not justified

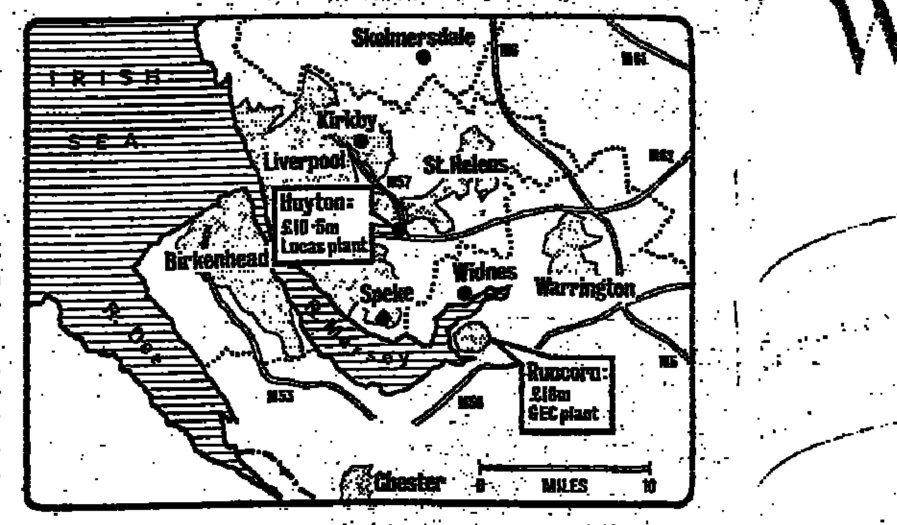
The consultants, who were called in to try and suggest ways of helping inner Merseyside, believe the image is no longer justified, despite the recent dispute at British Leyland which triggered off the closure of the Triumph Speke No. 2 plant. The damage, they believe, was done some years ago in the docks, the motor industry and some other subsidiary operations transplanted into the area. "In most cases the root cause of the battles has been the maintenance of jobs in an economy which was grossly unbalanced and characterised by over-manning, casual labour policies of declining industries, and lack of alternative opportunities, to a much greater extent than most other parts of the country." To the extent that a shake-out had to come, the report claims, it has already happened. Even in the docks the labour relations record over recent years has been vastly better.

It is a view for which there is also a large measure of support from industrialists on Merseyside, evidently not all of whom find labour relations consuming most of their time. Mr. Leslie Young, deputy chairman and managing director of J. Bibby, the Liverpool-based feedstuffs and paper group, claimed recently that labour relations in his company were comparable with the best companies in the country.

Nevertheless, although the image of constant industrial strife may have outlived the reality, there remains a fear among potential investors that operations in the area may be bedevilled by allied problems such as absenteeism, lateness, low productivity, deliberate over-manning, demarcation, and lack of flexibility.

The suggested solution to such problems is a novel one—an industrial relations charter drawn up between management and unions which would have the aim, in part, of stopping abuses and ensuring that all disputes were negotiated within agreed constitutional procedures. The charter should be initiated at local TUC/CBI level and then adopted at plant level by management and unions. The machinery would include a quick-reacting, formal communications link between employers and unions, as well as informal links at a very senior level between the two sides. Both parties would also agree, and extensively publicise, a sound grievance procedure.

Such a development could clearly bring benefits in the longer term, but as far as the immediate problems of the area are concerned the report tends to confirm that there is not much that is not currently being done, and that shortages of land, skilled labour or inducements are certainly not a major part of the problem. Some cherished notions are also dismissed. The idea put forward by the Liberals of a free port on the Mersey is thought unlikely to bring substantial benefits. Such a development would be years too late and has in any case lost much of its relevance now that Britain is part of the EEC common customs zone.



The report suggests some strengthening of the industrial development machinery on Merseyside — a suggestion that would appear to be largely in hand as a result of the creation of the new Merseyside County Economic Development Office.

There are nevertheless a number of recommendations directed at Government which the Department of Industry will no doubt be considering. Emphasis is placed, as in a number of previous reports on Merseyside, on the part played in the local economy by the port.

It is clear that the port must play a major role in any regulation. There is a need for further concentration on specialised activities and renewal of facilities. But this would require capital investment on a scale out of proportion to the Mersey Docks and Harbour Company's profit-generating potential. It would be desirable for the port—classified, like all ports as a service industry—to be put on the same basis as manufacturing industry, though this would need Government action.

Whether the Government would be prepared to make funds available for this purpose over and above its inner city programme is doubtful, however, as there would clearly be a case for other ports to receive similar treatment. The Government is likely to point instead to the aid it has given GEC, Lucas and other manufacturers towards investment as evidence of the support it is giving to the area. So it still looks as though solutions will have to come from within the area.

Northleach will like today's stiff seven-furlong course

RACING

BY DOMINIC WIGAN

JOHN DUNLOP, whose Derby winner Shirley Heights was yesterday the subject of further good Irish Sweeps Derby support, looks to have the answer to today's Waterloo Handicap at Sandown in Northleach.

This chestnut colt by Northfields, the sire of North Stoke, Northern Treasure and Oats, showed notable promise in his sole two-year-old race when making the running before tiring in a six-furlong event at Lingfield.

It came as no surprise when he won at the first time of asking in a similar event recently.

Sure to be ideally suited by this afternoon's stiff seven furlongs, Northleach—who had anything but an easy passage in gaining his Brighton success at the expense of Almighty—appeals as a sound bet to contribute to Willie Carson's title push.

Two other possible winners for the one-time champion are the twice-raced Eyelet and that tough handicapper, Topbird.

Eyelet, a chestnut filly by Sharpen Up out of the Skymaster mare, Skyey, will relish any further rain before the June Fillies' Stakes, while Topbird, among the six runners for the HWFA Williams Handicap, will also be in her element should the going further ease.

Judged on her victory in Newmarket's Babraham Handicap, the Royalty four-year-old should not find it hard to confirm superiority over the 1¼ lengths runner-up, Georgian Girl, whom she meets on 4 lbs better terms.

A greater danger could well be Mint, in receipt of 6 lbs from Topbird.

SANDOWN

2.00—Eyelet
2.30—Topbird
3.05—Northleach**
3.40—Hatched
4.10—Smarten Up
4.45—Fine Blue

YORK

2.15—Nicholas Grey
2.45—General Atty***
3.15—Clwyd
3.45—Whoconnedwho
4.15—Geminiani
4.45—Tardot*

Hale Irwin is early leader in the U.S. Open

GOLF

BY BEN WRIGHT

DENVER, Colorado, June 15.

HALE IRWIN, the 1974 champion born less than 50 miles from here, became the early leader in the first round of U.S. Open Championship here today when he brought in a fine score of two under par 69, playing alongside another of the most fancied players, South Africa's Gary Player, who dropped a stroke to par at the final hole to be round in level par 71.

In second place to Irwin at the moment—and I must stress that more than half the field, includhas yet to go out—are an 18-year-old first year student at Brigham Young University, 18-year-old amateur Bob Clampett; and the experienced professional Andy North on 70.

Alongside Player is the younger of the two Wadkins brothers, Bobby, thanks in no small part to a hole in one at the 208 yards 15th hole.

Conditions can hardly ever have been more perfect for golf as they were this morning. The temperature at midday was 95 degrees, and this immense heat was considerably tempered by a pleasant breeze and the lack of humidity at the Cherry Hills Country Club, which is over a mile above sea level, and is staging this great championship for the third time.

The setting is incomparable, a great parkland golf course superbly manicured with even and totally fair but devilishly thick rough making a beautiful picture against the staggering backdrop of the snow-capped Rocky Mountains—the clarity of the light being totally dazzling.

It was in these circumstances that the early starters found problems on the shorter first half of the course, which has a par of 35. The ball travelled so far at this atmosphere that short irons can be played to all the holes except the 543 yards fifth and the 229 yards ninth holes, with a medium iron demanded at the 432 yards ninth.

No-one knows better than Irwin, who played all his outstanding amateur golf in this area, just how to judge the flight of the ball—generally speaking it flies 7 per cent further than at sea level.

So it was no surprise to me when he birdied the sixth and seventh holes to go two under par, a position he maintained for the rest of the round. Earlier Player had been the leader at the same figure after birdies at the third and fifth holes, but he could not sustain his morning brilliance, and faded on the inward half.

Clampett, a slight young man who weighs only 10 stone, is obviously destined for stardom, having won this year's All-American University Tournament and last year's State junior title of California.

His round was made possible because he needed only 28 putts on greens that are getting faster and more tricky by the hour as the sun bakes them after the recent rains. Clampett had five single putts on his inward half.

I had the pleasure of walking the first 15 holes with the sole British competitor Peter Oosterhuis, and I am happy to report that he played tidy and skilful golf to be level with par at this stage.

At one time, however, he was two under par after eight holes. The short game, normally his strength, betrayed him at the ninth hole, where he fluffed a chip from just behind the green to be out in 34, one under par, and at the 13th, where he chipped too strongly, having missed the fairway and green to the right on one of the rare occasions he was inaccurate with his iron play.

When Oosterhuis brought out his driver to my horror at the 436 yards, par four 14th hole he duly pulled the ball into deep rough and dropped a stroke here to return to level par.

Jack Nicklaus has opened his first round with two solid par Tom Watson took 40 strokes to the turn, and at the last count a birdie at the 594 yards 11th was four over par and struggling.

The U.S. Golf Association threatened prompt action if there was slow play, and they were as good as their word. After the trio playing in front of Ballesteros, Ben Crenshaw and Jerry Pate had been forced to wait to play every shot over the outward half, Bob Impaglia, a professional from New York, was penalised two strokes on the 10th hole.

He had been out in 36 shots against the 45 taken by one of his partners, who shall remain nameless—an amateur—and Impaglia went to pieces completely, taking 47 shots including the two penalties to get home in 83 to the 87 and 82 of his partners.

Crenshaw, who has a sad knack for making big scores at a single hole, duly did so with an eight at the par four 16th. Crenshaw, going for a big hook with an iron shot from the tee, hit the tree in front of him, put his second in the creek and had to retrace his steps to the tee.

The former US amateur champion John Fought, who failed to qualify last week for the second time at the PGA School, is currently sharing the lead with Irwin at two under par, but, of course, Fought has 14 holes to play.

At one under par with one hole to play are the vastly experienced professionals Mark Hayes and Al Geiberger, while Phil Hancock, the former American Collegiate champion, has just finished in 71.

The great Arnold Palmer, who won his only US Open title on this golf course in heroic fashion in 1960, is currently two over par after eight holes and Nicklaus has just dropped a stroke at the shortest par four on the course, the 323 yards third hole, to be one over par at this stage.

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40-7.55 am Open University. 10.45 You and Me. 11.05 For Schools, Colleges. 12.00 Cricket, Second Test: The Cornhill Insurance Test Series: England v. Pakistan. 1.30 How Do You Do? 1.45 News. 2.05 For Schools, Colleges. 3.00 Cricket, Second Test: England v. Pakistan. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Scooby Doo. 4.40 Take Hart. 5.00 The Mole and the Egg. 5.05 Tabitha 5.35 Roobarb.

5.40 News (London South-East only).
5.55 Nationwide.
6.20 Nationwide.
6.55 World Cup Report.
7.25 The Wonderful World of Disney.
8.15 The Black and White Minstrel Show.
9.00 News.
9.25 "Professional Foul," play by Tom Stoppard.
10.45 Tonight (London and South-East only).
11.15 Regional News.
11.16 The Late Film: "For Love of Ivy" starring Sydney Poitier.

All Regions as BBC 1 except at the following times:—

Wales—11.05-11.25 am For Schools. 1.30-1.45 pm O Dan Y Mor 5.05-5.30 Teliffant. 5.55-6.20 Wales Today. 10.45 Kane on Friday. 11.15-11.16 News for Wales.

Scotland—5.55-6.20 pm Reporting Scotland. 10.45 Breathing Space. 11.15-11.16 News for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 10.45 Lifetimes. 11.15-11.16 News for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 10.45-11.15 East (Norwich) On Camera; Midlands (Birmingham) The Grass is Greener; North (Leeds) Royal Sandringham; North East (Newcastle) Friday North; North West (Manchester) Champion Brass; South (Southampton) Cusden on Location; South West (Plymouth) Peninsula; West (Bristol) Life Story.

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
11.25 Cricket, Second Test: England v. Pakistan.
2.00 pm Tennis: The John Player Tournament.
4.30 Cricket, Second Test: England v. Pakistan.
6.35 Open University.
7.00 News on 2 Headlines.
7.05 That's the Way the Money Goes.
7.30 Newsday including Westminster Report.
8.15 The Money Programme: Can Britain manage?
9.00 M. H. and 5p (Fivepenny Piece with Mike Harding).
9.30 Inside Story.
10.00 The Devil's Crown.
11.15 Late News on 2.
11.25 Cricket: England v. Pakistan (highlights) and weather.
11.55 Rugby Union: Australia v. Wales.
12.35-12.45 am Music at Night.

BBC 2 Wales only—7.05-7.30 pm Heddiw. 12.35-1.00 am That's the Way the Money Goes.

LONDON

9.30 am Schools. 12.00 A Handful of Songs. 12.10 pm Daisy, Daisy. 12.30 News plus FT index. 12.55 Help! 1.00 The Better Sex. 1.30 Crown Court. 2.00 Money-Go-Round. 2.25 Racing from Sandown Park. 4.00 Tribute to Industry 4.15 Golden Hill. 4.45 Fanfare. 5.15 Emmerdale Farm.

5.45 News
6.00 Thames at 6.
6.35 Crossroads.
7.00 Winner Takes All.
7.30 The Pink Medicine Show.
8.00 The Making of Star Wars.
9.00 People Like Us.
10.00 News.
10.30 Police Five.
10.40 Russell Harty.
11.40 How to Stay Alive.
12.10 am George Hamilton IV.
12.40 Close — a painting by Velasquez with music by Rodrigo.

All IBA Regions as London except at the following times:—

ANGLIA

12.55 pm Anglia News. 4.00 Cartoon Time. 5.15 Chatterbox. 6.00 About Anglia. 10.30 Probe. 11.00 Friday Late Film: "Attack!" starring Jack Palance, Eddie Albert and Lee Marvin. 12.55 am Your Music at Night.

ATV

12.50 pm ATV Newsdesk 3.45 The Sullivans 5.15 Breakaway: Cowgirls and Skateboards. 6.00 ATV Today. 10.30 The Friday Night Film: "Prudence and the Pill," starring Deborah Kerr and David Niven.

BORDER

†12.50 pm Border News. 5.15 The Partridge Family. 6.00 Lookaround Friday. 10.30 Border Parliamentary Report. 11.00 Late Night Film: "Revenge," starring James Booth and Joan Collins. †12.40 am Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's On Where. 6.00 Report At Six. 10.28 Channel Late News. 10.32 Summer Of '78. †11.00 Late Night Movies: "A Child Is Waiting." 12.20 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 12.50 pm Grampian News Headlines 6.00 Grampian Today. 7.00 The Entertainers: Labi Siffre. 10.30 Reflections, followed by road report. 10.35 The Friday Film: "10.30 pm Summer," starring Melina Mercouri, Peter Finch and Romy Schneider. 12.30 am Grampian Late Night Headlines.

GRANADA

12.50 pm This Is Your Right. 4.00 Cartoon Time. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Mr. and Mrs. 10.30 Reports Extra. †11.00 Great Films of the Century: Greta Garbo in "Anna Karenina."

HTV

12.50 pm Report West Headlines. 12.55 Report Wales Headlines 2.00 Women Only 4.00 Cartoontime. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Emmerdale Farm. 10.35 The Benson and Hedges Show Jumping Championships. 11.35 "The Cabot Connection," starring Craig Stevens.

HTV Cymru/Wales—As HTV General Service except: 12.50-12.55 pm Penawdau Newyddion Y Dydd. 4.15-4.45 Camau Cantamil 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 12.50-1.00 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

12.50 pm News and Road Report. 1.00 Mr. and Mrs. 4.40 Cartoon Time. 5.15 The Bubblies. 5.20 Crossroads. 6.00 Scotland Today 6.30 Emmerdale Farm 10.30 Ways and Means. 11.00 Late Call. 11.05 Friday Cinema: "Soldier of Fortune," starring Clark Gable and Susan Hayward.

SOUTHERN

12.50 pm Southern News. 2.00 Women Only. 4.00 Cartoon Time. 5.10 Weekend. 5.20 Crossroads. 6.00 Day By Day. 6.05 Scene South East. 6.30 Survival. 10.30 "The House That Dripped Blood," starring Ingrid Pitt. 12.25 am Southern News Extra.

TYNE TEES

9.25 am The Good Word, followed by North East News Headlines. 12.50 pm North East News and Lookaround. 4.00 Cartoon Time. 5.15 Mr and Mrs. 6.00 Northern Life. 10.30 Sportstime. 11.05 The Friday Night Film: "Dracula AD 1972," starring Christopher Lee and Peter Cushing. 12.40 am Epilogue.

ULSTER

12.50 pm Lunchtime. 4.13 Ulster News Headlines. 5.15 Flintstones. 6.00 Reports. 6.25 Police Six. 10.30 Friday Film: McCloud. 12.00 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 12.50 Westward News Headlines. 6.00 Westward Diary and Sports Desk. 10.28 Westward Late News. 10.30 Summer of 78. †11.00 Late Night Movie: "A Child Is Waiting," starring Burt Lancaster and Judy Garland. 12.45 pm Faith For Life.

YORKSHIRE

12.50 pm Calendar News. 4.00 Cartoon Time. 5.15 Out Of Town. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 "Hard Contract," starring James Coburn.

RADIO 1 247m

(S) Stereophonic broadcast

5.00 a.m. As Radio 2. 7.02 Dave Lee Travis. [illegible]

RADIO 2 1,500m and VHF

5.00 am News Summary. [illegible]

RADIO 3 464m, Stereo & VHF

6.55 am Weather. 7.00 News. [illegible] Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composers: D'indy and Duparc (S). 9.50 BBC Northern Ireland Orchestra (S). 10.35 Young Artists' Recital (S). 11.25 Cricket—Second Test: England v Pakistan, including 1.35 pm News. 1.40 Play bill and 2.00 Lunchtime scoreboard. 16.40 Lifelines: Leisure and Recreation. [illegible]

RADIO 4

434m, 330m, 285m and VHF

[illegible] Drink of a Nation (S). 4.35 The Roof of Wales. 5.00 PM Reports. 5.40 Enquire Within. 5.55 Weather: programme news. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick Of The Week (S). 8.10 Philip Jones Brass Ensemble (S). 8.30 Any Questions? 9.15 Letter From America. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. [illegible]

BBC Radio London

206m and 94.9 VHF

[illegible]

London Broadcasting

261m and 97.3 VHF

[illegible]

Capital Radio

194m and 95.8 VHF

[illegible]

F.T. CROSSWORD PUZZLE No. 3,694

ACROSS

1 Appear less than one minute in course (8)
5 Dismounted and clicked (3, 3)
10 Composition for musical group, just one in a book (5)
11 Spike must accept wrath from North African (9)
12 A party sailors met round the north providing decoration (9)
13 Legally adequate state cover (5)
14 Colloquially very strong (6)
15 Model soldiers go in vessel (7)
18 Potential spy could be under or over rails (7)
20 Ash or elm partly on land (6)
22 Visual dispenser of spirits (5)
24 Where dishes are made with carnivore in pies (9)
25 Bawd giving professional remedy to ship (9)
26 Pleased with eastern opening in wood (5)
27 Read back about two pages? That's neat! (6)
28 Endow people and start tailoring ceremonial garment (8)

DOWN

1 Refusal to transact business round Northern Ireland (6)
2 Instrument for chap on party line (9)
3 Uninformed and missed by the photographer (3, 2, 3, 7)
4 Glutted, i.e. with tasty mixture (7)
6 A fraction too much to drink (3, 4, 3, 5)
7 Gold that is left in window (5)
8 What cricketeers may be doing for a novelist (8)
9 Like soldiers marching on foot (6)
16 Grow micro-organism in a trial experiment initially (9)
17 Legally precluded stop in stormy deep (8)
19 Weapon for soldiers on jetty (6)
20 Performer in part is terrified (7)
21 Agree when posted (6)
23 Soldiers and what they do with colours (5)

Solution to Puzzle No. 3,693

S	I	G	N	P	O	S	T		B	A	R	S	A	C
O		A		A		I				P		L		H
L	A	M	E	D	U	C	K		S	P	R	I	T	E
A		E		R		K		S		L		G		C
C	A	C	H	E		B	Y	T	H	E	B	O	O	K
E		H				A		A		C				E
	M	I	S	L	A	Y		B	O	A	S	T	E	R
I		P		O						R		I		S
M	I	S	S	O	U	T		E	N	T	O	M	B	
P				K		O		R				E		L
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هكذا من الأصل

Cinema

Waiting for the Revolution

by NIGEL ANDREWS

Allonsanfan (AA) Camden Plaza
Dersu Uzala (U) Curzon
Memories Within Miss Aggie (X) Soho Cinema
Bilitis (X) ABC Shaftesbury Avenue

Allonsanfan is written and directed by the Taviani brothers, *Paolo and Vittorio*, and is the film they made before the much-acclaimed *Padre Padrone*. Opening this week, it receives a belated run in London, thanks to the interest fuelled in the Tavianis' work by their later film, and it is well worth seeing. But be warned; the film is apprentice work. The miraculous clarity and single-mindedness of *Padre Padrone* were yet to come: what *Allonsanfan* offers us is a crazy swirl of movement, in which colour, adventure and political allegory wash together on the rocks of melodrama. The film is influenced more by the great overreachers of Italian art and spectacle—the Verdis and the Viscontis—than by the rough-grained, Spartan style of *Padre Padrone*.

The story is set in Italy in 1816, the year of the post-Napoleonic restoration. Fulvio, an aristocrat-revolutionary (played by Marcello Mastroianni), is released from jail so that he will unwittingly lead the authorities to the revolutionary band known as the "Sublime Brethren." Instead, Fulvio heads for the tranquility and epicurean comforts of his family villa. But he is not there long before his former comrades catch up with him, and whisk him away to join them on a hot-headed revolutionary expedition to the South of Italy. Fulvio's loyalties are now divided beyond repair, however, and his revolutionary good intentions fight a prolonged, and finally losing, battle with self-interest and treachery.

The film, alas, is also divided beyond repair. The sumptuous colour photography (by Guiseppe Ruzzolini) and the stolid charisma of Marcello Mastroianni's performance seem to belong to a different film from the modernist eccentricities with which the Tavianis try to galvanise the story. The contrasts sometimes produce a fruitful clash between old traditions and new ideas: more often they jar and irritate. Too many scenes—like that in which Mastroianni is briefly abducted by the Sublime Brethren after his prison release, and is carried through the streets on a covered cart with a green filter window, through which his captors become hideous apparitions—erupt in brief virtuosity and then die out, victims of their makers' impatient quest for novelty. The film has speed and brilliance in parts, but no momentum as a whole.

It also leaves the filmgoer somewhat bewildered as to what the Tavianis are trying to say. Clearly the dilettante revolutionary, as incarnated by Mastroianni, is presented to us as a figure pathetic rather than sinister: a man politically "lost" rather than actually evil. And the internecine squabbles of the Brethren themselves comprise a satirical stab at Left-wing heterodoxy. What troubles one is that the film ducks out of offering any broader statement of political belief. Its morality is purely parochial: like a film about disagreements on the administration of a Stalinist labour camp, which offers no opinion on the virtues of the institution *per se*.

Nonetheless, individual qualities compensate a lot for the overall incoherence, and there is a startling inventiveness about the Tavianis' use of music and colour and staging. Ennio Morricone's score thumps out a mock-revolutionary march whenever the story stirs itself to physical action, and colours in the film are used almost like Wagnerian leitmotifs: the reds of action and rebellion played off against the greens of betrayal, the sunlit orange of idyllic retreat. One leaves the film exasperated by its unevenness, but in no doubt that the talent that created *Padre Padrone* was present, if dormant, in *Allonsanfan*.

★

Dersu Uzala, by contrast, is the twilight work of a great director. Japan's Akira Kurosawa made it on location in Russia, and the film is a Soviet-Japanese co-production. It lasts 2½ hours and begins with painful slowness. But do not be discouraged. This is — in the best possible sense — an old man's work. Once you have shaken off your impatience at the tortoise-like tempo, and set your metabolism to beat in time with the film, its slowness is a joy. Kurosawa, unlike the Tavianis of *Allonsanfan*, does not rush about ringing stylistic changes, he lets the images breathe and expand before a largely motionless camera.

On paper, this story of an aged trapper and his friendship, through forest, flood and fretful old age, with a Russian officer-cum-explorer threatens creaking sentimentality. But Kurosawa, with an un-Kurasowa-like restraint, refuses to point up either the emotional climaxes or the philosophical moral (the man of civilisation has much to learn from the man of nature). The photography begins in the murky Soviet style, as if processed in mud, but as the film continues, Kurosawa turns up the contrast and produces some stunning landscapes: icy Siberian plains shimmering under a damp sun; beetling, shadowy forests; a milky moon and a red sun balanced on either side of the long 70 mm screen.

There are two marvellous action set pieces in the film. In one the two heroes, marooned between frozen rivers, desperately protect themselves from the Siberian night by cutting grass, piling it head-high, and burrowing into it to make a warm sleeping hole. In the other the old trapper is carried away on a raft to almost certain death, and is saved only by his own instructions shouted hoarsely from mid-stream to his friend on the bank.

But the best scenes in the film happen around the edges of the action. The friendship between the Russian officer and the wise and wizened Oriental (whom he and his unit stumble upon one night in the Siberian forest) begins on a note of English stiff-upper-lippery, and slowly develops into a kind of Chekhovian male love affair. When the old trapper's eyes fail him, and he can no longer fell a deer at sixty feet, the Russian officer takes him back to his own home and family. But the old man is no sooner ensconced in a town than he is busy chopping down trees in the park for firewood; blissfully unaware of the rules and caveats that govern urban life. The film returns to the forest for a final coda, and seems to breathe again on recovering its own as well as the trapper's natural habitat.

★

Memories within Miss Aggie is directed by Gerard Damiano, who made *Deep Throat* and *The Devil in Miss Jones*, and who styles himself the *Godfather of Porn*. The Press show audience saw the unexpurgated version of the film, complete with wobbly pencil-lines down the side of the screen during any sequence that had incurred our censor's wrath. There are nine minutes of such footage altogether, and while the film is not exactly a masterpiece with them, without them it would be a terminally tedious piece of work. As a Londoner, you will see a great deal of Miss Aggie herself, an old lady with a hayseed accent who wanders around her log-cabin-style home recalling her pleasure-seeking youth (cue for flashback sex scenes). What you will not see is much of the flashbacks themselves, which feature plentiful and athletic exposure of the female anatomy.

★

Bilitis sounds like something in urgent need of penicillin, but in fact it is the name of the heroine of the second of this week's erotic offerings. Directed by fashion photographer David Hamilton, the film favours us with the story of a nubile schoolgirl (Patricia d'Arbanville), and the first stirrings of sexuality she feels while staying at the palatial home of an older girlfriend (Mona Kristensen) and her smooth beast of a husband (Gilles Kohler) who runs a riding school. She meets true love, but does not at first recognise it, in a hippy-like photographer (Bernard Giraudeau) who lives a life of careless Bohemianism in what appears to be a well-equipped beach hut.

The film belongs to the Emmanuelle school of sexual evasiveness, and the characters swan in and out of frame wearing coyly diaphanous clothes plucked from the pages of Vogue or Queen. The prettiness is so monotonous that one sympathises with the journalist who asked David Hamilton, in an interview reprinted in the film's blurb, if he didn't think it unfair only to be taking pictures of beautiful girls. "Perhaps not fair, but one does not expect from a gardener either that he grows ugly and fades flowers." An obscure, possibly misprinted, reply, but one appreciates the intended gist.

Lea Massari in 'Allonsanfan'

Leonard Burt

Ian McDiarmid, John Carlisle, Frank Windsor and John Woodvine

Mermaid

Every Good Boy Deserves Favour

by MICHAEL COVENEY

What an extraordinary piece of music theatre this is! I did not see the only previous performance, at last year's John Player Festival in the Festival Hall, but with a new cast and an *ad hoc* small orchestra under the baton of Michael Lankester, the happy collaboration of Tom Stoppard and Andre Previn about two inmates of a Soviet psychiatric ward looks set to win the wide audience it deserves.

Alexander (John Woodvine) is an insignificant writer on the fringe of a dissident group whose response to authoritarian persecution is glazed puzzlement and the start of a hunger strike ("We've only had one hunger strike here before; and that was because of the food"). His cell-mate, Ivanov (Ian McDiarmid), is a *bona fide* eccentric who imagines himself to be a triangle player in a large orchestra. They are supervised by a dotty Doctor (Frank Windsor) who actually *does* play in the orchestra and turns his clients' objections inside out by adopting a brilliantly funny lateral line in Stoppardian chop logic.

In the background there is a grim lady schoolteacher vainly trying to educate Alexander's young son in the preliminaries of geometry. The language fuses geometric imagery with musical terminology and the State line on freedom of the individual. The young boy at one point visits the doctor, who plucks the arpeggiated ninth of EGBDF on his violin before despatching the lad to wander through the musicians' desks reciting "Papa, don't be rigid, be brave and tell lies."

Previn's score is a superb amalgam of Soviet styles, but especially good in the Prokofiev pastiche department. Ralph Koltai's design contains a grimly penitential bed-sit within the plush red of a concert hall, and Trevor Nunn's precise direction balances serious argument and linguistic conceit in appropriately equal proportions. The show only lasts 68 minutes but it says more in that time than a volume of documentary evidence.

Festival Hall

Arrau by DOMINIC GILL

It is the received wisdom (and not wholly without cause) that Claudio Arrau today is no longer the great Beethoven interpreter that he was 20 and more years ago. But it is, too, a wondrous fact—and one of the exhilarating things about music and music-making—that as often as not the received wisdom is wrong. On Wednesday it was not proved wrong merely, but brilliantly, decisively refuted: two performances by Arrau, of Beethoven's fourth and fifth piano concertos, each a marvel of glittering authority, poise and eloquence—the playing of a pianist unmistakably at the zenith of his powers.

In the fourth concerto, as well as glitter, and in the lyrical conversations a generous broadness of line, there was fire: in the shining trills, and in the bright, pungent rhythms, and unusually urgent, explosive cadenza. In the *sempre pianissimo* pages of the andante Arrau's tone rarely ventured below a robust *mezzoforte*—here too there were flames barely below the surface, powerfully contained: a springboard to the finale, taken at a fast, easy vivace, light and strong.

In the Emperor, the tension of the fourth concerto, a deep spring for all its force not yet entirely unwound, was released in a blaze of glory. And not in bright primary colours only, but a glory of half-lights and half-tones—in cascades of feather-light half-staccato; in the adagio, magically simple, unassuming, direct: in much marvellous pedalling, and in the inner voices of chords, subtle play of grade and accent. A fierce, noble performance, driven with manic energy, proudly sustained, that brought the house cheering to its feet. The orchestra was the LSO, warm-toned, well-tuned, once or twice inspired—in the adagio of the Emperor one remembered especially one ravishing sonority of muted strings and wind. The conductor was Walter Susskind, quick and attentive, exemplary accompanist.

Richmond Theatre

Theatre Ballet of London

The "gems from the classics" view of touring ballet is not one with which I have much sympathy. If the regions are to see the standard repertory it must be decently presented and more than decently danced; it does ballet itself a gross disservice to offer shrunken approximations of 19th century works, with performers unreasonably stretched in choreography too searching for their abilities. The continued demand for the traditional favourites—and an infinity of *Swan Lake* and *Coppélia* would keep many a provincial theatre permanently full—must only be met by presenting these sacred monsters at their very best.

So Norman McDowell and his new Theatre Ballet of London seem to me to be begging several questions by offering fragments—*Napoli*, *Swan Lake*, *Giselle* in penny numbers—and allowing audiences to suppose that they make much sense as examples of classical ballet. With the best will in the world I cannot feel that this company *is of* a standard as yet to sustain much criticism: the dozen hard-working dancers who bustle about to recordings of tried and true favourites offer distinctly meagre artistic fare.

In this week's programmes at Richmond several guest artists are appearing. Maria Guerrero and Peter Mallek bring a welcome technical sparkle to *Le Corsaire*, and better still, Miss Guerrero dances with Robert North in the latter's *Reflections*. This is an emotional and well-argued duet which has the added advantage of being set to the adagio from Howard Blake's piano quartet, a work by a composer unafraid of melody, whose music — unfashionable perhaps in its lyricism and craftsmanship — is well worth getting to know.

Wednesday's programme also brought Belinda Wright in a version of *Giselle* Act 2 reduced to its essentials: the Wili Giselle and Albrecht (a part taken by Peter Mallek), and the cross on the heroine's tomb. In a bizarre way, with no help at all from a production, Belinda Wright's imaginative grasp of the role made a good deal of sense. Muted though her dancing was, it had a touching delicacy of style, and seemed more persuasive than many another bolder opera-house interpretation. Odd. Poetic. Unexpected. Memorable.

CLEMENT CRISP

Greenwich

The Golden Cradle

by B. A. YOUNG

The title covers a bill of five short plays by some seminal writers of Dublin's Abbey Theatre. They are directed by Siobhan McKenna and, insofar as I am qualified to judge, seem to me absolutely authentic in style. The sets on the open stage are reduced to the necessary minimum, and the excellent company, all but one of them Irish and she an experienced stage Irishwoman, have the characteristic singing delivery of the lines, so different from most speech in the English theatre today. This is a proper medium for the demi-poetic treatment of the pretty Irish talk used by all three of the writers represented — Lady Gregory, Yeats and Synge.

Lady Gregory, though she evidently had a sharp ear, is the least interesting of the three. Her little tale of an Irish policeman conned by a wanted rebel into letting him past the cordon *sanitaire* is no more than a puffed-up bar-room tale, and no doubt owed its production to its tinge of nationalism and to its author's privileged position.

Yeats is represented by three pieces. *The Cat and the Moon* is a typical piece about beggars at a holy well given the choice of blessing or cure. There is an odd forecast of Beckett about it. *Purgatory* deals with a tinker who knifes his son lest he should grow up like his, the tinker's, father; and *The Pot of Broth* tells jokily how a tramp swindles a countrywoman into providing him with a meal by pretending to sell her a magic stone. The final play, Synge's *Riders to the Sea*, is probably the best-known piece of the evening, even if only through Vaughan Williams. Its tale of the old woman who loses the sixth of her six sons after a supernatural visitation is really the nearest to a solid work of art, and with Siobhan McKenna at its centre it provides a moving half-hour.

But the trouble about all three authors seems to be that though they wanted madly to write about the "farmers and potato diggers," they only wrote anecdotes about them and their characters were museum reconstructions. Their plays are of much academic interest and some sentimental interest. Then, by the grace of God, Sean O'Casey came along and native Irish theatre became a real thing that shows Irish life as seen by the potato-diggers, and the Dublin workers, themselves, unfiltered through an alien intellect.

Modern music at the Proms

The 84th season of Henry Wood Promenade Concerts, which begins on July 21, makes a useful contribution to the cause of 20th century music.

There are no commissioned works this year, but there will be repeat performances of three works by young British composers commissioned by the BBC for the Queen's Silver Jubilee.

Justin Connolly, Edward Harper and Edward Cowie will be in good company. Peter Maxwell Davies's *Symphony*, Lutoslawski's *Mi-parti*, Panufnik's *Sinfonia di Sfere*, Iain Hamilton's *Scena: Cleopatra* and Lennox Berkeley's Fourth Symphony are among the important contemporary works on offer.

Works not heard in London before include Priaulx Rainer's violin concerto and Tippett's Fourth Symphony. The latter will be featured on September 4 in the Chicago Symphony Orchestra's first Prom appearance, Sir Georg Solti conducting.

The opportunity to hear important works again, so much a feature of this season, is not confined to modern music. Rameau's last opera, *Les Boreades*, given its first performance in 1975, will be repeated on August 29 by the Monteverdi Choir and Orchestra under John Eliot Gardiner.

Liszt's *Christus*, which had its first complete English performance in October, will be performed on July 30.

This will be the 50th year the BBC has been responsible for the Proms, and the size of the festival, with 55 concerts, is such that probably only the BBC could cope.

Wigmore Hall

London Oboe Quartet

by MAX LOPPERT

The London Oboe Quartet gave on Wednesday its tenth anniversary concert, and reminded an audience of moderate size but affectionate disposition that, in its unassuming way the group has become one of the necessary features of London concert life. Without the list of works encouraged and first played by the quartet, including pieces by Berkeley, Elisabeth Lutyens, Priaulx Rainier, and Maconchy, the repertory of contemporary chamber music for the oboe would be substantially the poorer.

A well-filled programme included the Berkeley Oboe Quartet (1967), the work responsible for the initial formation of the group, Mozart's G major Quartet, K285a (in which the replacement of the originally intended flute by Janet Craxton's oboe seemed to remove an element of blandness) and the Beethoven C minor String Trio, Op. 9, no. 3. Firm, tactfully stated readings all, in which the unemphatic, impeccable style and delivery of Miss Craxton's playing and the air of civilised community engendered by her partners were common factors. In the Beethoven, Perry Hart's violin appeared to pass through a patch of approximate intonation; and, on occasion, the thoughtful mildness of the performances left one just a little hungry for broader definition of outline. The Berkeley quartet, in particular, would gain from being played out rather more theatrically.

A new Lutyens composition for oboe and string trio, written for the occasion, made a clear and beautiful effect. *O Absolom* is in the composer's very best musing, web-spinning vein. Gentle lyrical shapes are repeated in new forms; the oboe is exchanged halfway for the more pensive utterance of the cor anglais, returning for the final bars. Though the piece seems simple, in that its quiet lyricism tells immediately, and stays long in the mind, the details are finely worked, the sonorities eloquently subtle. An athletic and vigorous Duo for violin and viola (Miss Hart and Brian Hawkins) by Skalkottas and Jean Francaix's determinedly cheerful Quartet for cor anglais and strings closed the concert.

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Friday June 16 1978

Credit and politics

THE STUDY of credit control methods which has been launched in Whitehall in the wake of the latest monetary crisis is in principle long overdue, but in practice it may prove a damaging waste of time. The Government has been politically embarrassed, and naturally resents the fact; but if we are now to have a secret inquisition on who failed to buy adequate amounts of Government stock, which banks did what to window-dress their liabilities, and whether any political malice can be detected, a lot of quiet damage could be done in no good cause.

Instability

A serious study of existing methods of credit control and of possible alternatives, on the other hand, is urgently needed. The whole history of credit control in the last six years has been punctuated with crises, when official funding, or control of bank lending, the flows across the exchanges or the growth of domestic liquidity have appeared to lurch out of control for a time. The instability of exchange rates and interest rates has done great damage to the real economy. We have not even suffered in a good cause, since governments have yet to draw the right moral from them: that the official demand for credit must be held back if room is to be created for a recovery of the private sector. They have hoped instead that official funding would be no problem as long as something called "confidence" was high, and thus tended to knock every recovery on the head as soon as it was visible.

It has been remarked by many students that crises are the main instrument of monetary policy in Britain. In the days when we had a fixed exchange rate and no monetary policy, measures of restraint were almost invariably provoked by a run on the pound. In recent years the constraint on government policy has tended more and more to be the progress of the gilts market, since bitter experience has shown that a monetary problem neglected for more than a few weeks can grow into a national disaster. Mr. Callaghan's first task when he assumed office was to wrestle with such a disaster: his most recent, as he plans to offer his office for renewal, has been to head off another, regardless of political cost.

If the sole aim of a monetary regime were to discipline politicians, the British system might, then, be counted a considerable success; it does not prevent mistakes, but it ensures that the consequences of any mistakes are visited on their authors within weeks. Anyone wanting to design a collar and leash for the Chancellor might conclude that nothing could be more effective than to stake the whole control of the monetary system on the sale of relatively long-term government debt. Official policies are thereby daily submitted to the judgment of the market, and investment managers who aim for nothing more than to balance their portfolios and avoid buying on a falling market acquire an unintended political power. At times we appear to have government by brokers' circulars.

However, most central banks also aim to produce stable and appropriate credit conditions, even if this means that what they see as excessive government credit demands are punished only by a relatively undramatic adjustment of interest rates; if such a demonstration is thought to need reinforcing, such central bankers are in many countries ready to speak out on their own behalf, rather than leaving comment to market participants. A central bank with greater political independence can perhaps afford to use subtler and more pervasive technical means to influence credit conditions.

Less distortion

Such methods would not only lead to more stable market conditions, but would produce less statistical distortion and drama. At present the growth of credit and money is as unstable as the means used to control it, and the figures are constantly distorted in one direction or another. Yesterday's money figures, for example, show a grossly excessive growth of domestic credit; but the adjustments needed for slow gilts sales and for window-dressing by the banks (again, a straight expression of commercial self-interest) swamp whatever may be the underlying trend in loan demand. We suffer crises without even knowing at all certainly whether there is any trouble brewing. There must be a better way; and if the result of Cabinet anger is to find one, Mr. Callaghan has been irritated in a good cause.

Another subsidy in dispute

THE circumstances which led the European Commission to object to the UK offshore supplies interest relief grant scheme may differ from those which caused Brussels to object to the temporary employment subsidy. But the underlying reasons are the same. Both schemes distorted trade between Britain and other members, which is against Community rules.

The temporary employment subsidy ran into trouble because it had so often been extended and its nature had been so much changed that it could be held to be preserving rather than solving problems. Half the subsidy payments were going to textiles, clothing, and footwear firms—sectors that were deep in trouble throughout the Community—and where they were meeting as much as 30-40 per cent of UK firms' wage costs. The offshore supplies relief grant, on the other hand, had been introduced—by the Conservative Government in 1973—so as to help UK firms match subsidised competition from overseas suppliers of North Sea equipment.

Complicated

British firms were not eligible for ECGD facilities whereas their rivals, many of them then American, could get loan finance at preferential rates from their own national export credit institutions. Instead of extended ECGD cover to the North Sea, however, the Government brought in a more complicated — and possibly more generous — scheme whereby North Sea operators could obtain an interest relief grant of 3 per cent a year for up to eight years on loans financing up to 80 per cent of the value of the contracts they placed with UK firms for goods and services used in the construction of fixed offshore installations.

To the extent that the scheme could be regarded as aiding the development of the North Sea, Brussels had no objections. To the extent that it was an aid to an infant UK offshore supplies industry, the scheme could again be accepted. But its discriminatory nature against Community firms outside Britain became more objectionable as the North Sea market — and the UK share of it — grew. By the end of 1976, the exchanges had reached the point where the Commission felt obliged to initiate the EEC Treaty procedure which eventually can lead to the European Court in Luxembourg.

In nearly every other such instance, the national government concerned has sooner or later conceded the point, as the UK eventually did earlier this year over the temporary employment subsidy. Some modifications to the offshore supplies scheme have been offered, but evidently Brussels thinks they do not go far enough for it has now decided to force the issue. The situation appears to have been inflamed by Community members' impatience with the attitude towards energy policy generally shown by Mr. Wedgwood Benn who, as Energy Secretary, is now the UK Minister involved.

The issue is clearly not straightforward. French, Dutch and German offshore suppliers enjoy good export support schemes. On the other hand, the lack of ECGD cover before 1973 meant that UK suppliers faced precisely the same disadvantage as every other UK industry facing import competition. The "infant industry" argument loses force with time. The UK share of what is now a £1bn plus a year market has risen from 25-30 per cent before 1973 to over 50 per cent, or not far short of the most that could be reasonably expected. One would have thought that, given the political will (an important proviso in this particular situation) a way could be found of keeping Brussels and other Community members happy while still meeting British industrial policy—and public economy—interest.

First shots in the IATA battle over air fares

By MICHAEL DONNE and LYNTON McLAIN

THE DECISION by British Airways to embark on a unilateral high-wire balancing act with international air fares, announced on Wednesday, marks the first practical step by any airline to act outside the agreed fares structure of the International Air Transport Association.

The U.S. Civil Aeronautics Board has already threatened to pull U.S. airlines out of IATA. But no airline has yet gone as far as British Airways in defining the new parameters within which airlines may now be expected to operate. BA has proposed a radical restructuring of its fare structure. Three classes will replace the existing first and economy classes in a move which has important implications for passenger comfort, airline economics and future competition.

The new first, club (or business) and discount fare classes proposed by BA are designed to boost the number of cheap seats from under a quarter of the present total to a full 50 per cent. The airline is banking on filling 80 per cent of the cheap discount seats on every flight, but is fitting a moveable bulkhead in the event of demand for the cheap seats not materialising. The airline would then be able to expand its club, or economy class seats at will.

More important for the future of airline competition and IATA is the claim by Mr. Gerry Draper, BA's director of commercial operations, that the airline had discussed its low fare proposals before Wednesday's public announcement with all other major airlines. This has been taken in some airline circles to amount to a declaration by BA that it wishes to lead world airlines in the way they structure their fares, in any post-IATA era.

The BA proposals look radical and perhaps unworkable, with the uncertainty over how to achieve precise passenger fare ratios not likely to be resolved until the last minute before take-off. In reality the biggest change is the move to three classes. Within this structure, the first class and the new club class fares will correspond to the old first and economy prices. Even the standby discount fares, on domestic flights at least, are to be on the same limited weekend basis already in force on shuttle flights at weekends.

The main novelty is in the wider availability of these prices and in the timing of the announcement two weeks before the 106 corporate members of IATA meet in Montreal to discuss what should happen to air fare regulations in the face of growing unilateral action by members. By the end of the meeting, on July 1, there may only be a handful, if any, members who wish IATA's status to remain unchallenged.

At the heart of the changes to be put to the vote in Montreal is a new two-tier structure for airlines which wish to keep their ties with IATA. British Airways is one of the big airlines likely to keep some relationship—if a distant one—with the recent more liberal ideals of IATA. This would be in spite of BA's move into the vanguard of across-the-board low fares. The hint of a continuing link came from Mr. Draper on Wednesday. He said BA had no wish for air fares to be completely "de-regularised." But the airline wants changes. By taking the lead before Montreal it clearly hopes to take other airlines along its own particular road.

At an earlier meeting last November, the big airlines were faced with growing support by governments for cheap-fare "consumerist" policies on many major world air routes, including particularly the North Atlantic (such as the UK Government's espousal of the cheap-fare Laker Airways Skytrain to New York). They were told bluntly by the IATA director-general, Knut Hammarskjold, that in order to survive they had to respond swiftly to the new environment in world air transport.

He argued that there were strong and growing government antipathies to the long-standing IATA techniques of fares-fixing; consumerism was "becoming rife"; and governments themselves were increasingly taking over fare-making functions. He said that for the scheduled airlines the forces of stability and order on the one hand (meaning the IATA) and those of "laissez-faire" (meaning governments whose interests were more in tune with the politically-popular cheap-fare theories than with the long-term stability of world civil air transport), were confronting each other.

"The operators are caught in the middle," he claimed, and added that the time was ripe for far-reaching reforms. While these might not be appropriate in all markets "particularly where there are developing countries with developing airlines to consider," in those parts of the world where "runaway regulatory trends are clear, particularly on the North Atlantic, there may be little other response to the present situation. How else does one respond when regulatory authorities are sharp-shooting with shotguns?"

One of the particular complaints of the world's main airlines has been the attitude of the U.S. Government, which over recent years has shown itself as increasingly anti-IATA. On a number of occasions, painfully constructed fares packages for the North Atlantic route have been rejected at the last moment by the U.S. Civil Aeronautics Board. The U.S. tendency has been for the CAB, backed by the government, to lay down a policy for the U.S. airlines to follow, and make IATA fares policies fit that situation, not the other way round. This Government-versus-IATA conflict in the U.S. has already obliged Pan American seriously to reconsider its membership of the Association.

IATA-regulated transatlantic travel in economy class. Meals, newspapers and the children's games are free—but you have to pay for alcoholic drinks and inflight entertainment.

Mr. Hammarskjold was not only concerned about government impatience with the association's fare-fixing methods, but also about many of its other regulatory techniques. He urged the airlines to take a close look at all their other rules and regulations, "including those dealing with seat-pitches and sandwiches, and perhaps in this new environment a large number could simply be thrown into the waste-bin."

His comments undoubtedly shook the IATA delegates, and at that same meeting in Madrid they set up the task-force of "five wise men," comprising: Mr. Ross Stainton, deputy chairman and chief executive of British Airways; Mr. K. G. Appusamy, managing director of Air-India; Mr. L. Edwin Smart, chairman and chief executive of Trans World Airlines; Mr. Umberto Nordio, managing director of Alitalia; and Mr. Claude Taylor, chairman and chief executive of Air Canada. All of them were as well aware as Mr. Hammarskjold of the need for change in the scheduled airline industry, if the IATA itself was not to be relegated to the backwoods of world civil air transport, with governments taking more and more control of airlines' affairs.

The task-force has worked quickly. Only a few weeks ago, its preliminary report was submitted to the top policy making body of IATA the Executive committee, and endorsed unanimously. It now goes to the special general meeting in Montreal. Hitherto, even the bulk of the airline-members of the Association have only known in general terms what is proposed—they are in process of getting fuller details. But enough has been divulged to make it clear that, if approved, the proposals will ensure that IATA will never be the same again and that, more significantly, the opportunities for competition among its members will be much greater than hitherto.

More open system

The proposals broadly provide for a "re-definition" of the membership of the Association; the adoption of a more open and accessible system of fares-fixing; greater flexibility in the development of "innovative fares;" and cuts in the numbers of rules governing in-flight service.

What these proposals really mean is that the Association intends to try to change its rules, so as to ensure that while its members adhere to certain basic regulations—such as those governing safety, legal, medical, technical, and handling matters, "and other essential service-orientated and safety-orientated fields designed to maintain and improve service standards"—there will be much greater freedom when it comes to fixing passenger fares and cargo rates.

Hitherto, all the scheduled airlines in the IATA have been obliged to adhere strictly to rules governing fares conferences, and especially the "unanimity rule," where each airline has one vote, with all airlines being obliged to accept the resulting decisions. This has often resulted in a rigid fares system, whereby even the smallest airline, with little real direct interest in the fares on a given route, has been able to block decisions until it got its own way on something else. Thus, fares policies have often been compromises, unsatisfactory to everyone—passengers, airlines, and governments alike.

Now it is intended that the unanimity rule should go, in favour of a simple majority vote, while airlines which do not have any specific interest in a given route will not be obliged to participate in the fares conferences on that route, or even necessarily be bound by the decisions taken. This should give the airlines greater flexibility in negotiating new fares much more quickly, and introducing "innovative rates," which many know are necessary. One senior airline executive commented recently that "Skytrain caught us napping. The idea had been around for years before it was finally approved last winter, but we had to improvise our answers to it (Budget Plans and Stand-By fares) in a hurry. We could, and should, have worked out our response to it much earlier." Thus, what the scheduled airlines are now going to be asked to do is think more boldly, in the knowledge that any ideas they may generate will not necessarily be squashed under the weight of a ponderous bureaucratically-organised fare-fixing machine.

Finally, the aim will be to try to get rid of, or modify, many of the currently over-restrictive rules governing what kind of in-flight service any airline can give its passengers. Hitherto, strict conditions have been laid down for such things as the size, quality and cost of meals served in different parts of an aircraft, the price charged for in-flight entertainment, and the "pitch" of seats—the distance between a seat and that in front of it. As a result, the scheduled airlines' competitive capabilities have been severely curtailed. On such routes as the North Atlantic, airlines have often been flying the same types of aircraft, at the same fares, and offering the same kinds of meals in-flight. Their only areas of competition have been in the rather vague (and even sometimes non-existent) areas of "personal" service—such as politeness to passengers. Violation of these rules in the past has often resulted in airlines being fined by the association, and on some occasions there have been international rows leading to the near-breakdown of air services between various countries—the famous "sandwich war" several years ago, for example, turned entirely upon different interpretations between Scandinavia and other countries as to what constituted a "sandwich."

Now, the IATA has realised that such regulations make not only a mockery of competition in scheduled air transport, but bring the Association itself into disrepute. If the task-force's proposals are accepted, many of these rules will be either swept away or at least substantially modified, so that the scheduled airlines will be able to compete directly for passengers' favours in such things as in-flight service, including meals, drinks, entertainment and "give-away" presents.

It has to be stressed, however, that all these are only proposals. They have yet to run the gauntlet of the special Montreal meeting. Many of the members of the IATA have only recently been given the details of what the task-force is proposing, and it is certain that many of them will not like what they read. While some of the bigger airlines are conscious of the need for change, and will feel strong enough to be able to accept the proposals, conscious of their power to compete for traffic under the new conditions that are likely to emerge, some of the smaller, developing airlines may feel the need for a continued "umbrella" of IATA protection. Thus, some of the proposals may well be substantially modified, perhaps to the point of being useless in obtaining what the task-force set out to achieve—a greater competitiveness in the association's membership.

Governments will be watching the Montreal meeting with especial interest (they will have to approve what their airlines decide) and the IATA members know that if they do not achieve some results that would widen IATA rules to allow greater competition, they are likely to find many more of their functions being taken over, as fares-fixing already has been on some routes. The wind of change is beginning to blow through the conference halls of the IATA, and it is now doubtful if there is any way of stopping it.

MEN AND MATTERS

Impertinence pays, says Sir James

At the risk of straining any entente cordiale that may exist between this column and its readers, I am once more reporting from Paris. In particular, there is news of "Le Chevalier de l'Epicerie" — Sir James Goldsmith, of course. It seems that Goldsmith is far more fascinated these days with journalism than groceries, so that a large slice of his time in France is devoted to his latest pride and joy, the weekly l'Express. He will soon be moving the magazine, acquired last year from Jean-Jacques Servan-Schreiber, into handsome new quarters overlooking the Etoile — with his own penthouse flat surmounting the offices. To remind everyone that he is the boss, the message "President: Jimmy Goldsmith" appears at the front of the magazine, and the imprint at the back says that Jimmy Goldsmith is the director. Last month his control was stepped up from 45 per cent to two-thirds. There have also been reports that he is in the market for l'Aurore, a Right-wing daily owned by the troubled Boussac empire, but that may instead be bought by aircraft manufacturer Dassault.

Everyone in the Paris newspaper world thinks Goldsmith is just sharpening his teeth on his weekly magazine. He has still not abandoned his British media dreams, and now that France is politically more stable he may also revive his plans for a Parisian financial daily.

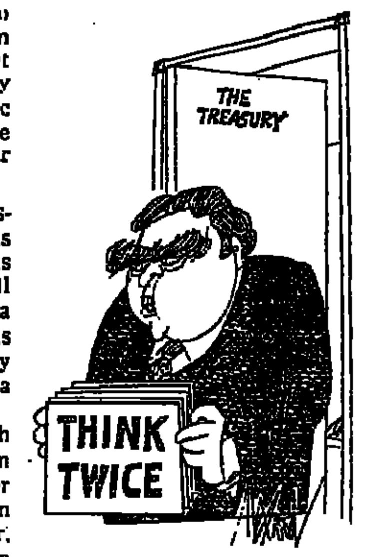
L'Express has changed, both in looks and approach. I am told by Olivier Todd, former BBC correspondent brought in by Goldsmith as a senior editor, that it has lately increased in credibility and circulation (the print run is now 700,000). "Goldsmith tells us we are not impertinent enough in interviews," says Todd; that should amuse Private Eye, once deluged in writs by Sir James. It also appears that Goldsmith promised Todd that he could urge readers to vote socialist in the French general election; in the event, this journalistic freedom was garnished by a result that must have gratified the boss — hardly a leftist from the political ideas he has declared in Anglo-Saxon surroundings.

Culture Vultures?

A recent cartoon in *Le Figaro* shows a Parisian husband and wife gazing complacently at a transformed Place de la Concorde; its centrepiece, the great Egyptian obelisk, has vanished —and in its place is a waterway on which a boat sails past. The husband explains: "We have exchanged the obelisk for the Suez Canal." This is a fairly typical French response to the call by the United Nations Educational Scientific and Cultural Organisation for the return of "plundered works of art" to the countries where they were created. UNESCO's director-general, Amadou-Mahtar M'Bow, has launched a campaign for bilateral deals between the "plunderers"—especially former colonial powers such as Britain and France—and people who have been "robbed of a collective memory."

Nobody in the UNESCO building in Paris has yet suggested the return of the Elgin Marbles to Athens. An official to whom I spoke even admitted that they have doubtless been better cared for in the British Museum than if Lord Elgin had left them *in situ*. But M'Bow's campaign may well bring renewed calls for the return to Ghana and Nigeria of tribal treasures seized by British punitive expeditions in the last century. M'Bow comes from Senegal, in whose capital of Dakar he convened last March an expert committee to push ahead the UNESCO plans for the "return of cultural property."

But the risks involved in restoring precious artifacts to politically unstable countries are being stressed in Paris. UNESCO has praised the way Belgium has sent tribal treasures back to Zaire; I am told, however, that one masterpiece returned from Europe to an African country was immediately stolen.



"Send these round to Threadneedle Street!"

Over the shop

While director-general M'Bow is running into criticism around Paris for his proposals about "plundered art," he is also enduring grumbles within the UNESCO headquarters itself. This is because he has converted a section of the building—at a reputed cost of about £50,000 —into a residence for himself. It seems that for security reasons, M'Bow prefers "living over the shop."

A spokesman had denied categorically to me on the telephone that there was any dissatisfaction among the staff about the director-general's apartment. But when I visited UNESCO I found the contrary. One official complained of a "sheer waste of money." He also forecast that when M'Bow's term of office runs out in 1980, his replacement is unlikely to fancy spending day and night on the premises.

Seen it all

France's Mrs. Whitehouse is a Mr. He is Jean Royer, mayor of Tours. In 1974 he stood for the Presidency on a "clean-up-France" platform. Royer was a successful minister under Georges Pompidou and his polished oratory has assured him of re-election to the Tours mayoralty ever since 1959. But my ventures into the seamier side of Paris reveal that unlike Mrs. Whitehouse, he is winning hands down against what he calls "moral perversity." In brief, the French have had enough of it. Film censorship was abandoned in 1972 and the capital's 58 sex cinemas show things that would make Mrs. W. shriek. But since 1975 their cut of the total cinema takings have fallen from 25 to 6 per cent.

The president of the Paris Sex Shops Association, a Monsieur Phal, says: "We are running out of steam. Last year 15 of our colleagues went bankrupt." Regine Desforges, who publishes blue books, says that only four out of 40 new titles she put out last year sold more than 1,000 copies. "Sex isn't what it used to be," she admits —an amazing statement to hear in Paris, although one that must delight Mayor Royer.

Observer

View from Bonn of the economic summit

IF THE West German Economics Ministry has its way, there will be little in the Bonn economic summit meeting next month to please the British Government. The Ministry has a kind of verbal check-list of what it would like to see in the final communique and it sounds more like a Tory manifesto than anything ever contemplated by Messrs. Callaghan and Healey.

The general slogan is "back to the free market economy," though on an international rather than a purely national or even European basis. Not only is the Ministry seeking a pledge of no more protectionism, it is also demanding that existing protectionism should be dismantled in the shortest possible period. There is a further call for an end to all subsidies.

The Germans (or at least those in the Economics Ministry) no longer believe that there is anything to be gained from the state giving money to companies or industrial sectors.

They consider that, while there may be a case for giving money to people for the purpose of retraining, the practice of shoring up companies has to stop. Otherwise, they say, there is no knowing where it will all end: the economy will become completely artificial and the idea of the free market will virtually disappear. In other words, it is a case of back to first principles before it is too late.

Nor is that all. The Germans are also seeking a pledge that the fight against inflation should be in no way relaxed. The word is that a return to economic stability must be given absolute priority. That goes for exchange rates, too. The Germans will not be happy without some assurance that the other Europeans will join them in helping to check the appreciation of the D-mark, which is another way of saying that the weaker European currencies, such as the pound, cannot be allowed to float down indefinitely. Only when all these promises have been given will the Germans consider doing something about increasing their own economic growth rate. It is not exactly what Mr. Callaghan had in mind when he pined such hopes on the summit earlier this year.

Of course, the Economics Ministry might not win. Theirs is the extreme position. Chancellor Schmidt seems to be keeping his own ideas very close to himself, and not even very senior officials are entirely sure what he is up to. What has happened, however, is that there is a kind of competition both within and between Ministries about what the summit should best seek to achieve.

Yet there are two points on which all Germans seem to be united. One is that there can be no question of any increase in the German rate of inflation. The other is that the upward march of the D-mark cannot be allowed to go much further. Inflation fell last month to an annual rate of 2.7 per cent, the lowest level since February, 1970. Thus some (though by no means all) officials have the grace to blush when they tell you that Germany still has an inflation problem. A man from the Economics Ministry assured me that this was now fully understood by all the country's main trading partners. When I replied that that was not the case and that the British Government thought that the German inflation rate could be safely doubled, he paused for a moment and said: "Yes, someone from the Treasury did say that at a meeting last week, but I assumed he was joking."

At any rate, the German belief continues to be that inflation is the greatest possible danger. Without price stability there will be very little investment and therefore very little growth. It is price stability, too, that seems to win elections, which is another reason why Chancellor Schmidt seems unlikely to budge on this issue.

The argument about the exchange rate also seems to go on for ever. Almost my first memory of this country is of a German Government resisting revaluation. There were then rather more than ten D-Marks to the pound: now there are less than four. Ten years later the visible evidence that the steady appreciation has done any harm still seems lacking, yet the Germans have apparently decided that enough is enough.

Details of the so-called Schmidt Plan for a wider zone of currency stability in Europe have still to be worked out, but it would be wrong to dismiss it as no more than a gleam in the Chancellor's eye. The general principle of trying to tie the other European currencies more firmly to the D-Mark has a great deal of support both from the Bundesbank and from the Ministries. Outside the European Community, the Swiss and the Austrians are already being brought into line. Inside the Community, Italy rather than Britain is reckoned to be the main problem, though there are some reservations about Mr. Healey.

A smiling Mr. Healey with Chancellor Schmidt earlier this year; but problems are looming for next month's summit.

There is almost certainly a miscalculation here. It is not easy to see a British Government, and perhaps especially a Labour Government, complying with some of the new disciplines now being discussed in Bonn. For a start, participation in any kind of currency snake would mean sacrificing the freedom to let the Pound float down. According to some German officials, it might also mean accepting a series of targets far more severe than anything imposed by the International Monetary Fund. For example, there might have to be an incomes policy that ruled out anything like the current rate of pay increases.

Yet the Germans are pressing on. They believe that they have a cast-iron intellectual case in that the German economic experience has proved more successful than the British, and that the British in time can be persuaded to adopt it. Already, indeed, Messrs. Callaghan and Healey are given high marks for trying an incomes policy. It is fulsome praise from Chancellor Schmidt when he says that Britain is now "moving in the right direction." Still, it will be an interesting test of the Chancellor's skill and determination to see if he can bring th eBritish any closer to the German model.

AID AMBITIONS

The approach of the economic summit and the meeting of the European Council in Bremen a few days before have also produced some ferment in foreign policy-making. The Development Ministry, for instance, has come up with talk of vastly increasing aid to the Third World. Much more in the running, however, is an embryo plan in the Foreign Ministry for aid to southern Europe. There is a certain amount of logic to this which goes as follows: however strong economically, West Germany is basically a European power. It ought, therefore, to concentrate its energies on the area it knows best: Europe. What better way to do it than by creating funds for the development of the applicant countries of the European Community — Greece, Spain and Portugal, and perhaps Turkey as well?

The Germans already pride themselves, in a small way, on what they have done for Portugal in the days since the revolution and for Turkey since the American arms embargo. But this time the thinking is more ambitious. Aid for southern Europe would have to be dressed up as coming from the Community as a whole—the European Investment Bank with access to capital markets is a possible source. Yet the basic contribution would still be German. The idea is to get agreement in principle at the European Council meeting in Bremen and then present it to the economic summit in Bonn as an example of what Europe is doing to encourage the transfer of resources.

One senses a conflict here between those who want to help the Third World and those who are still suspicious of the developing countries in general and who believe that German interests lie closer to home. But there is also a certain acceptance that there could be a division of labour within the Community. France, for instance, could devote its attention to Africa while Germany concentrates on the poorer part of Europe. Certainly, Franco-German relations at present seem quite remarkably close.

The role of Britain in all this is more obscure. It is not thought likely that the British Government would wish to contribute very much in the way of a form of Marshall aid to the European south. At the same time, there are divided views about British policy in Africa. Herr Hans-Dietrich Genscher, the Bonn Foreign Minister, who was something of a pioneer in seeking to involve the Germans in the African continent, has earned considerable hostility from the German business community for the way he has supported Western initiatives in South Africa and especially Namibia. West German sympathy still goes out to the African whites and the way, it is held, that they are being forced to change with indecent haste.

Some of this disapproval of Herr Genscher rubs off on Britain, and in general the British view of the world does not seem quite to fit with that taken in Bonn and Paris. "Is it true," a number of Germans ask, "that a majority of the British electorate is now against British membership of the Community?" They can hardly bring themselves to believe it. The Germans, for their part, may not have become fully international, but they have surely become more European.

ELECTORAL TESTS

Herr Genscher is in trouble in other ways too. His small, liberal Free Democrat Party was voted out of the provincial parliaments in both Hamburg and Lower Saxony two weeks ago. The common belief, which might be noted by Mr. David Steel, the British Liberal leader, is that it is paying the price for being too ready to go into coalition with anyone around: with the Social Democrats in Bonn, but with the Christian Democrats in some of the Laender. The party's principles are said to have been sacrificed for the sake of a share in power. No one is quite sure any more what the German liberals stand for.

The next test will come with the elections in Hesse in October. If the liberals go out there, there could well be repercussions in Bonn. One theory, held by some of them, is that the party would then be obliged to withdraw from the Federal Coalition in order to seek to re-establish its identity. It is not clear what would happen next. Even with the liberals, Chancellor Schmidt has a majority of only ten—so there could be a premature general election and even a Conservative (or rather an official conservative) Chancellor in the not too distant future. On the other hand, there might even be—for the first time—a Social Democrat government with an overall majority. No one knows how that would turn out.

The lesson seems to be that German politics are not quite as placid as they sometimes appear. In the background there is the occasional flash of the knife. After the summit next month, it might be different. But in the meantime one should understand why Herr Schmidt is unwilling to do anything that might impair his electoral chances—like putting up the rate of inflation for the sake of other countries, and especially other countries' elections.

Malcolm Rutherford

Letters to the Editor

The members for Europe

From Mr. Ian Lloyd, MP.

Sir,—Your excellent leader on the subject of MPs for Europe contains only one assertion from which I would dissent, when you suggest that "There will be great resentment at Westminster if the European Members are paid the huge (in British terms) sums earned by some of their continental colleagues."

This may be accurate, but the resentment will not be universal. It has been apparent that the trend of egalitarianism in Britain, reinforced by a degree of inflation which some of us consider to enjoy the support of the Left precisely because it achieves a degree and rate of income redistribution which Parliament would not countenance, has virtually reduced the status of British MPs to that of the Parliamentary paupers of the Western world, led by Cabinet Ministers, who are now paid substantially less than Under Secretaries of the United Nations. The differentials have steadily widened and anyone who studies the salaries offered for junior managerial posts in your columns will conclude that Members of Parliament no longer command an income which bears any relationship to the responsibilities, demands or costs of their office, despite the recent improvements in allowances.

But my purpose in writing is not to canvas the merits of sensible income differentials in the United Kingdom, in which so many other professional and managerial groups have been unable to escape from the squeeze of the incomes policy—inflation vice. It is rather to argue that British Members of the European Parliament should be paid the rate appropriate to the immense and growing responsibility of that office—the office of governing Western Europe, the rich and varied group of some 250m people, vast numbers of whom do not share the narrow and restrictive philosophy of British Socialism. United States Senators from the deep south do not have their fees reduced because they are not elected from Boston or Los Angeles. The American people reward them appropriately for the responsibility they carry and that they might live in a style appropriate to the dignity and demands of their office.

That may be a vanishing concept in Britain, but the more prosperous countries of Europe now have a more robust concept of the relationship between effort and reward and I would certainly not wish to see a Senator for Europe, whether elected by the Germans, the British, the Italians or the Danes, compelled by financial and fiscal parsimony to suffer the indiginities which we willingly impose upon ourselves in the House of Commons. The European Parliament should decide its own members' conditions of employment. Their taxation should be comparable to that paid by the international civil servants, who face similar living problems, and they should enjoy complete immunity from the Jesuital egalitarianism of the British fiscal machine.

Ian Lloyd.
House of Commons, SW1.

The politics of building roads

From Mr. G. J. A. Stern.

Sir,—You welcome the Greater London Council's £1bn road building plan, but is it politically possible? (June 14).

It is very relevant to recall that in connection with the now notorious Archway scheme, Hornsey's Conservatives supported the motorway, while Labour stepped in as the saviours of people's homes. In the May local government elections the swing in Hornsey was 2½ per cent to Labour, as contrasted with 8 per cent to the Conservatives in London as a whole.

I don't think that the GLC transportation chairman, Miss Shelagh Roberts, quite understands that building a road takes a decade or more—Archway has been on the books for half a century with the road builders further from success than ever—and that the Conservatives of the GLC have less than three years to go. If Hornsey is anything to go by, Miss Roberts, the "Concrete Maiden," won't get many roads built, but she will secure a solidly Labour London for the foreseeable future.

G. J. A. Stern,
Stop the Archway Motorway Plan.
6, Eton Court, Shepherds Hill, N.6.

Splitting up the rates

From Mr. H. Michael.

Sir,—I enjoyed Mr. Campion's letter (June 12) —especially the heading.

I wrote to my local council offices recently upon the same subject, but all I got in reply was a form with instructions "how to claim relief in case of hardship." I've sent it back emphasising that according to their form I would not qualify, but expressing my opinion that many do receive assistance whose financial circumstances do not justify. I am sure that if the rates were included in the normal income-tax assessments, many hard-worked council treasurers would be relieved of chasing rate-dodgers, and all would be paying fairly according to means, not according to the cubic measurements of their homes.

H. Michael.
53, Hurstwood Road, NW11.

Living on the dole

From Michael and Pippa Nason.

Sir,—There has recently been some correspondence in your newspaper on the subject of unemployment and the longer a[...] longer dole queues.

Having had experience of being unemployed, two things became clear. There were a great number of jobs which could have been done had the regulations allowed. Secondly, and this point seems to have been forgotten by many of your correspondents, that the damage done on a psychological basis to those unemployed for any length of time appears to increase with time and to last for a proportional period afterwards. It is usual to find that former drive, initiative and confidence take three or four months to return.

With this in mind and without a very great change in the nation's funding, the unemployed could create a new national workforce. This could undertake tasks such as, for instance, repairing and maintaining places of national heritage, many of which are now suffering enforced neglect either because of the prohibitive cost of upkeep to private owners, or because of Government spending cut-backs. A national workforce could also undertake minor repairs on roads, dig out canals, clear refuse, landscape and plant trees, or even assist willing charities if there were some in-built vocational choice upon registering.

If the "unemployment benefit" were paid only to those willing to register for a prescribed number of hours per week in such a national workforce, surely our country would immediately benefit in both real and psychological terms. It would remove the stigma of unemployment and, by giving a fair day's "pay" for a fair day's work, instead of a "benefit" for doing nothing for the community, we would return to the basic human pride in being able to earn a living.

This suggestion is put forward as a means of reducing the psychological damage done by forced inactivity, particularly to the young school-leavers, many of whom would surely welcome such a constructive outlet for their energies? And, as such, one would hope that it could not meet with resistance from either the unions or the Civil Service, who may, however demur at implementing so simple and radical a scheme. And, if the objection came from the unemployed themselves that some of the work was too menial, surely "keeping fit" by working would be an added bonus? When one considers the amount of time that people spend with spades and wheelbarrows in their gardens or, on DIY in the home, there can be very few with zero experience and, in any case, does it matter? At the risk of sounding jingoistic, it might even lead to a revival of the community spirit and pride in our national heritage which won Britain the last war and made her Great.

Michael and Pippa Nason.
The Coach House,
Camp Road,
Clifton, Bristol.

New ideas in the Boardroom

From Mr. Geoffrey Mills

Sir,—While Mr. Woodhead (June 13) is squeezing Mr. Webb-Bowen's throat may I slip in and put a half-nelson on both. Mr. Woodhead might have got a fall if he had confined himself to the one-versus-two tier question. Two tiers, most particularly in the current British scene, can only serve to divide rather than unify purpose and policy.

Any good sample of for instance Danish or German directors (FT June 12 Executive's World) will admit when their guard is dropped after a lager or two that two tiers "work" in their countries because the Supervisory tier is really just a rubber stamp. Of course it can't be otherwise if no executive, and often not even the MD, is in the Supervisory layer. Boards need, in one collective decision centre, a balance of top executives, plus trained employee representatives (inevitably union-nominated) plus unprejudiced outside businessmen as non-executives.

Within one balanced decision point the failure or success of the executive, and especially of the MD, can be properly exposed. Within such a single forum a special cadre of union representatives will profitably learn what business decision-taking is really like. And in the same forum, (assuming that the non-executives devote two-three days per month to getting to know their company and its top executives) unfearful non-executives probing will stimulate better management, because all "good" managers react well to being kept on their toes—just as long as they know that their ideas will get an unfearful hearing.

But then Mr. Woodhead fell out of the ring when he queried the statement that British managers have by now learnt to avoid rocking the boat. With honourable or suicidal exceptions apart, most British managers would swallow seaweed rather than get labelled a boat-rocker, it being much "safer" nowadays to just float along in the wake.

Given an environment of stimulus and growth our managers aren't overall any worse than anyone else's (though Lord Brown did say on TV recently that one-third of our MDs are middling, and one-third are so appallingly bad that he couldn't understand how they survive).

Barrie Heath said a year or two back that "people and politicians alike now seem gripped by an inertia which is slowly squeezing the country to death." And British managers are saying the same to me every day of my life.

Geoffrey Mills,
1 Queen Anne Drive,
Claygate, Esher, Surrey.

Same day delivery

From Mr. Michael A. Riley

Sir,—While agreeing and lamenting with E. M. Walker about the deterioration in the Post Office (Postmen, June 10), I must assure him that same-day-posting-and-delivery happens in this country, at times.

Fairly often, I post a first-class letter in Bromley on a weekday for local delivery—making sure it has the correct postal code and is in the pillar box *before* 8 a.m. when it is due for collection. I know for certain that such a letter has been delivered within four hours of its collection, i.e., usually about 11.15 a.m. to 11.30 a.m. which here is about the time of the second post. Of course in today's conditions it *could* arrive days later but given a more diligent approach by all concerned in the GPO such minor miracles would become more frequent. Certainly, postal codes lead to quicker delivery, I find.

Michael A. Riley.
104, Murray Avenue,
Bromley, Kent.

Volatile gilt market

From Mr. Tim Congdon

Sir,—In his Lombard column of June 13, Anthony Harris gives a quotation from Messel's *Weekly Gilt Monitor* of June 9, and suggests that it gives a "very different song" from previous circulars. He takes this as an example of the volatile psychology of the gilt-edged market.

I do not see other brokers' gilt-edged commentaries and so I cannot speak for them. However, I do feel that a quote from our April 14 *Weekly Gilt Monitor* just after the Budget would interest your readers. After noting that the market had fallen very sharply on the Budget measures, Mr. Healey's hints about a "nice" (that is, reflationary) July package and the smaller-than-required rise in Minimum Lending Rate to 7½ per cent were described as "short-run mistakes and short-run influences on the gilt-edged market." The *Monitor* continued: "The heavy, and indeed unprecedented, emphasis on monetary policy in the Budget speech is reassuring. It suggests that financial policy will remain responsible over the long haul. As recent events indicate, the markets will make a lot of noise if the politicians try to repeat 1972 and 1973. Another rise in MLR will be required, particularly if sterling weakens further, but that may be a good buying signal. It is worth recalling that MLR and gilt yields are now not all that much lower than at the beginning of the 1977-78 financial year."

Financial analysts in the City have a difficult job and we sometimes make mistakes. However, the only regret I have about our coverage of the gilt-edged market in recent weeks has been that the view presented in the *Weekly Gilt Monitor* has been too balanced. It has not been particularly "optimistic," as Mr. Harris says in his apology—for which we are grateful—of June 14, but a more bearish view would have been appropriate in market terms. Economic journalists also have a difficult job, no doubt, but selective quotation does seem rather unnecessary.

Tim Congdon,
Economist,
L. Messel and Co.,
P.O. Box No. 521,
Winchester House,
100, Old Broad Street, EC2.

A question of security

From Mr. G. Payne

Sir—As a regular reader of the Financial Times and also the proprietor of a smaller security company I would like the opportunity to cross swords with Mr. John Philip whose article "The Domestic Burglar at Bay" appeared in the Financial Times on Saturday, May 27.

As a former Detective Police Officer I am appalled first of all by his arrogant assertion that in effect the houses of ordinary people contain nothing which would warrant or justify the installation of a burglar alarm. What utter nonsense.

If Mr. Philip had, as I have, been to many break-ins in even the most humble of dwellings and seen the emotional state of some of the women occupants after their homes had been ravaged by an intruder he would not dare make such a suggestion.

In the great majority of cases the ordinary person or business receives no reduction of premium from insurance companies by having installed an alarm system. Despite the fact that the installation of the system undoubtedly reduces the risk accepted by the insurance companies.

Mr. Philip next makes an equally appalling statement that because a firm is canvassing for business that this will in some way make that firm unacceptable to an insurance company, and goes on to say that the firms who already feature in the insurers' lists will already have enough work to keep them busy.

As one can see in any newspaper the insurance companies along with building societies banks and many other reputable professional institutions regularly advertise their wares. On that basis therefore does Mr. Philip make the assumption that because a firm has the temerity to advertise it is unlikely they would be acceptable to an insurance company?

On starting out in the alarm business in April this year my senior assistants contacted all the larger insurance companies in my area and all except one refused even to see and speak to us. Perhaps Mr. Philip would enlighten me as to how he expects reputable smaller companies to progress in business when the narrow minded attitude and closed shop techniques which appear throughout his article are so much in evidence.

G. Payne.
Northern Investigations Security.
Richmond Terrace,
Blackburn, Lancs.

Today's Events

GENERAL

Retail prices index (May).

Workers at Bank of England note-making factory, Loughton, Essex, meet to decide on whether to continue strike.

Mr. Malcolm Fraser, Australian Prime Minister, in talks with Chancellor Helmut Schmidt in Bonn.

Italian Cabinet meet to consider measures to trim public sector deficit and on financial reform for debt-striken industries.

Mr. Eric Varley, Industry Secretary, guest speaker at North West Industrial Development Association annual meeting, Preston, Lancashire.

President of Romania leaves at end of State visit to UK.

Final day of European Parliamentary session, Strasbourg.

Last day of NALGO conference, Brighton.

House of Commons: Debate on reports from the Select Committee on Violence in the Family and on the Government's reply.

House of Lords: Inner Urban Areas Bill, committee stage. Nuclear Safeguards and Electricity (Finance) Bill, second reading. Motions to Approve Consular Relations (Privileges and Immunities (Polish People's Republic Order 1978). Supplementary Benefits (Determination of Requirements) Regulations 1978. Child Benefit and Social Security (Fixing and Adjustment of Rates) Amendment Regulations 1978, and Social Security Benefits Up-rating Order 1978. Debate on international airport on Severnside as an alternative to expansion of London airports.

COMPANY RESULTS

Arthur Guinness Son and Co. (half-year). Pilkington Brothers (full-year).

COMPANY MEETINGS

Dwek, Hilton Hotel, Park Lane, W., 12. Matthew Hall, Winter Garden Hotel, W.C., 12. Roberts Adlard, 116, Pall Mall, S.W., 12.

SPORT

Cricket: Second Test—England v Pakistan, Lord's. Boxing: European Junior Championships, Dublin. Golf: Greater Manchester Open, Wilmslow. Tennis: (Davis Cup) Great Britain v Austria doubles, Bristol. John Player Tournament, Edgbaston. Chichester Tournament. Cycling: Glasgow-London Five-Day Pro-International Race.

COMPANY NEWS

Tate & Lyle cut to £11m as sugar profits dissolve

WITH SUGAR and shipping profits evaporating and commodity earnings showing a sharp decline taxable profit of Tate and Lyle collapsed from £24.9m to £11.1m in the March 31, 1978 six months.

The core business of sugar refining turned around from a £7.1m operating profit last time to a £0.4m loss, with the UK side down from £6.7m to break-even.

The commodity handling, trading, storage and distribution operations contribution dropped from £17.6m to £11.3m, while engineering, construction materials, etc. rose £0.5m to £3.8m.

After tax of £4.6m (£8.4m) and minority interests up from £1m to £1.2m attributable profit came out at £5.3m (£15.5m) and earnings per share are shown down from 28.3p to 9.6p.

Earl Jellicoe, the chairman, says that in general the results reflect the continuing depression in international trade and the effect on the group of the large world sugar surplus.

But its policy of maintaining dividends remains unaltered at present, he says. The first interim dividend of 3.1p net per £1 share was paid in April and the second is usually announced in September. Dividends totalled 13.14p last year.

The chairman says that in the UK sugar refining business the rationalisation programme is being carried through, so far with success, but is proving more costly than directors anticipated.

The problems of the rationalisation have been aggravated by the depressed home demand and severe competition from imports from the European community as a result of the EEC sugar mountain. He says the acquisition of Manbré and Garton was the necessary prelude to the rationalisation.

Overseas, the delay by the U.S. Government in formulating a domestic sugar policy has thrown the American market into disarray, resulting in Refined Syrups and Sugars suffering along with other U.S. refiners. The continuing losses at RS & S have counterbalanced a generally satisfactory performance by the Canadian subsidiary, Redpath Industries.

With starch, directors have found it necessary to continue the investment programme at Garton, Sons and Company at a high level to bring the plant up to modern standards to increase productivity and the quality of output.

The EEC levy on Isoglucose continues to adversely affect the results of the one-third owned associates Tunnel Refineries and GR Amylum.

Tate has suffered from the continuing depression in freight rates with its shipping interests.

The chairman says directors are taking steps to strengthen the Board and streamline management structures to better face the difficult challenges ahead. Above all directors are faced with the task of restoring healthy sugar refining in the UK and overseas.

In the UK this means bringing capacity in line with supply and demand without delay. With the continuing co-operation of the trades unions they have no doubt that Tate and Lyle Refineries can return to adequate profitability.

Of the supporting businesses which improved in the half, Lord Jellicoe says that in particular Tate and Lyle Engineering has continued to prosper and has won a number of important contracts abroad for agro-industrial projects. Its good performance has been complemented by that of Redpath Industries which is successfully completing an agro-industrial project in the Ivory Coast.

	Half-year 1977-78 £m	Half-year 1976-77 £m	Year 1976-77 £m
Refining			
UK	0.0	6.7	13.2
Overseas	(0.4)	0.4	1.8
Commodities	11.3	17.6	21.4
Starch	1.6	3.7	4.8
Shipping	0.0	1.2	3.4
Raw sugar	†0.5	1.1	2.1
Engineering	3.8‡	3.3	9.3
Operating profit	16.8	33.6	58.0
Central expenses	5.7	8.7	14.1
Administration	2.7	2.5	4.6
Finance costs*	1.9	5.1	7.2
Research	1.1	1.1	2.3
Pre-tax profit	11.1	24.9	43.9
Tax	4.6	8.4	13.1
UK	1.2	5.0	4.7
Overseas	3.4	3.4	8.4
Net profit	6.5	16.5	30.8
To minorities	1.2	1.0	3.1
Attributable	5.3	15.5	27.7

† Estimate of half the full years total.
‡ Estimate of half the full year's total.

See Lex

Intl. Timber near £1m. fall

A TEN PER CENT drop in the UK consumption of timber and timber products created severe competition and put margins under pressure for International Timber Corporation in the year to April 1, 1978.

The slide in taxable earnings seen at half-time persisted in the second half with a fall from £2.92m to £2.51m leaving the full-year total £0.96m lower at £5.57m on sales weaker at £134.66m, against £140.16m.

However, Mr. Ronald Groves, the chairman, expresses a degree of cautious optimism. A slight improvement in the construction industry now seems likely. Also the group's sales are currently ahead and the directors forecasts are for this improvement to be continued, and the group's manufacturing companies are working near to capacity, he reports.

Inevitably timber prices in this country will continue to be influenced by currency movements, and currency uncertainties are likely to maintain the industry's caution of the past year or two, he points out.

Earnings per 25p share are shown at 15p (24.7p) basic and 13.9p (19.6p) fully diluted, and a net final dividend of 4.285p lifts the total to 7.035p (6.3p).

Following some months of reasonable stability, sterling appreciated in the second half and profits were affected, more so in the softwood companies which, after making stock provisions at the year-end, contributed no profit in the second six months.

Bank overdrafts and acceptances at April 1 were down from £8.65m to £5.59m, and during the year sales of surplus freehold sites continued, producing a cash inflow of just over £1m. In the current year receipts are likely to exceed this figure.

Negotiations are at an advanced stage for the sale of half of the Gliksten site in London, which alone should ensure this, and changes in handling methods mean that the remaining 12-acre site fully meets the company's needs, the chairman adds.

	1977-78 £000	1976-77 £000
Sales	134,658	140,156
Trading profit	7,676	10,172
Surplus of props. sale	359	70
Interest	2,468	3,717
Pre-tax profit	5,567	6,525
Tax	3,074	3,047
Net profit	2,493	3,478
Extraord. debit	180	—
To minorities	—	23
Attributable	2,313	3,455
Preference dividend	9	9
Ordinary dividends	1,167	890
To reserves	1,137	2,556

● comment

International Timber's latest result is in the middle of the range estimated by analysts. But the profits are after substantially lower interest charges following disposals in Belgium. Margins came under severe pressure at a time when volume of softwoods consumed in the UK hit its lowest level for 25 years. Hardwood sales were also down. The depreciation of the Swedish kroner made imports of Russian softwoods—about 25 per cent of the company's total—relatively more expensive; margins had to be trimmed in order to move stock. Trading profits were down 24.5 per cent but share price at 123p continues to be propped by an element of takeover speculation. The yield of 9 per cent and p/e of 8.5 are above the average figures for similar companies.

Midterm upsurge at Duple

DUE almost entirely to the coach-building division where the seasonal pattern of coach sales has been substantially smoothed out, taxable profit of Duple International for the six months to February 28, 1978, jumped from £358,000 to £1,092,000.

And the directors say that it is expected that second half profits will be better than those for the first, although the rate of profit increase shown in the second half of last year will not be maintianed. For the last full year the reported surplus was £1.27m.

A net interim dividend of 0.335p per 5p share is declared and subject to restrictions at the time it is hoped that the final will be greater than the interim. Last year a single payment of 0.594p was made.

	Half Year 1977-78 £000	Half Year 1976-77 £000	Year 1976-77 £000
Turnover	8,744	6,091	15,258
Operating profit	1,142	501	1,534
Interest payable	50	143	265
Profit before tax	1,092	358	1,269
Tax	568	186	632
Net profit	524	172	637
Extraord. credit	—	—	105
Attributable	524	172	742
Dividend	138	—	244
Retained	386	172	498

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Triplex accelerates in second half

AFTER an advance from £0.92m to £1.08m at half-way, pre-tax profits of Triplex Foundries Group finished the year to March 31, 1978, some £0.65m higher at £2.69m. Turnover for the period moved ahead from £28.6m to £34.4m.

The net final dividend is 3.057p for a 4.632p (4.1891385p) total. If the tax rate is reduced a supplementary final will be paid with this year's interim.

	1977-78 £	1976-77 £
Turnover	34,381,000	28,596,000
Foundries	22,462,000	19,211,000
Engineering	8,437,000	6,000,000
Other activities	3,688,000	3,460,000
Inter divisional sales	206,000	154,000
Profits before tax	2,691,151	2,036,636
Foundries	1,921,916	1,432,401
Engineering	510,044	340,251
Other activities	259,191	262,364
Tax*	1,028,247	616,195
Extraordinary debit	32,762	—
Pref. div.	6,891	6,891
Attributable to ord.	1,623,251	1,413,550
Ord. divs.	385,345	341,889
Retained	1,237,907	1,071,661

* Both years reflect the application of ED19.

● comment

A 20 per cent increase in sales coupled with an improvement in margins on the foundry side has resulted in record profits at Triplex at a time when capital investment in the UK has been sluggish. The company has been spending heavily on the foundry side to improve both its product range and its ability to meet changing demand pattern. This expenditure programme is now bearing fruits and it was significant that a more profitable mix of work was processed. Margins were also better on the engineering side which was also bolstered by an acquisition in the last five months. The shares rose 6p to 84p on the news but since the yield is 8.8 per cent and the p/e only 4.1 the market clearly has some doubts about Triplex's ability to buck the trend once again this year.

Charter Tst. ahead at midterm

NET EARNINGS for the half-year to May 31, 1978 of Charter Trust and Agency expanded from £393,997 to £477,689, representing 1.195p against 1.03p per 25p share.

Gross revenue increased from £784,741 to £966,219, before expenses of £163,760 (£117,984) and tax of £309,370 (£257,360).

The interim dividend is lifted to 0.75p net, compared with 0.7p—for 1976-77 payments totalled 2.15p from £880,755 earnings.

In respect of the conversion entitlement on June 1 £1,088,890 of 4½ per cent convertible unsecured loan stock 1990-95 was lodged for conversion into 1,742,224 ordinary shares.

At the half-year, net asset value is given as 76.4p (69.2p) per share.

Barr & Wallace heads for good result

LOOKING FORWARD to another good result in the current year, Mr. J. Malcolm Barr, chairman of Barr and Wallace Arnold Trust, says that at the time of writing his annual statement the group was on budget. However, due to the seasonal activities of the group's activities he reserves his main forecast.

As reported on May 10, taxable profits for 1977 bettered last year's forecast of a 20 per cent increase and turned in some £0.5m higher at £1.6m.

Each division produced record profits with the motor division more than doubling its contribution.

Holidays showed a steady profit growth in most areas with the London sightseeing operation doubling profits. The division is in a good position to share in the growth of European coach services.

The motor division result is due to improvements in profits of the established dealerships and substantial reductions in the losses of the new dealerships. This division has not yet reached full potential.

Computer bureau division produced a record turnover and profit despite the generally depressed state of industry. A fourth centre is to be opened in London, and more is to be spent on research and development.

On a current cost basis pre-tax profit is £945,000, after depreciation £285,000, cost of sales £940,000 and gearing adjustment £575,000.

Revenue rise for Dundee & London

Pre-tax revenue of Dundee and London Investment Trust advanced from £289,962 to £317,542 for the six months to April 30, 1978. Gross revenue was better at £395,740, against £377,721.

The result was after management expenses of £25,066 (£21,761) and interest of £53,132 (£65,998), but before tax of £119,490 (£107,547).

The interim dividend is stepped up from 0.8p to 0.9p net—last year's final was 1.5p paid from £651,038 taxable revenue.

Utd. Guarantee better mid-year

Improved taxable profit of £192,540, against £161,379, is shown by United Guarantee (Holdings) for the half-year to March 31, 1978, on turnover down from £2.89m to £2.45m.

The net surplus came out at £92,419 (£94,994) after tax of £100,121 (£66,385) and, as before, there is no interim dividend. The payment for 1976-77 of 0.181p was paid from record profit of £197,560.

ISSUE NEWS

Farmers £3m variable loan

The Agricultural Mortgage Corporation is raising £3m of variable rate bonds dated June 10, 1983. The issue is priced at par.

The bonds have been placed for payment on June 16, on which day dealings start, and a proportion of the stock has been made available in the market for members of the public.

Interest on the stock is payable half-yearly on December 16 and June 16 with the exception that the final payment will be made on the redemption date of June 10 1983, when it will be redeemed at par.

Interest will be at 1 per cent over Libor. The payment next December, in respect of the period from June 16 to December 16, will be equal to £11.375 per cent per annum.

The bonds are registered and transferable in multiples of £1,000, free of stamp duty.

Brokers to the issue are Mullens and Co.

TYNESIDE PREMIUM

Dealings started yesterday in the new South Tyneside issue. The 12¼ per cent stock, £10 paid, opened at £10¾ and closed at the same level after touching a high point of £10 15/16.

Despite the tremendous oversubscription — the £7m offer was at least 100 times oversubscribed — the price held firm though there was a significant amount of stock moved through the market.

TAP STOCK

The application list for the new long tap opened and closed yesterday. The issue of £1bn of 12 per cent Exchequer stock 2013-2017 was allotted with all applications from the public being allotted in full.

Chloride off £1.3m after second-half recovery

IN LINE with the midterm forecast second half profit of Chloride Group climbed from £15.59m to £17.85m, but the result for the full March 31, 1978 year at £25.07m before tax was £1.3m below the previous year's record.

Directors say the 5 per cent overall drop was after adverse exchange movements amounting to £1.2m. The first half results had been affected by two strikes in the UK and Australia and the unsatisfactory performance in America.

Sales for the year rose £45.77m to £306.23m with UK companies contributing £132.57m. Of the £29.67m operating profit UK companies contributed 51 per cent.

A second interim dividend of 3.7977p takes the total for the year from 4.6523p net per 25p share to 5.1377p. If the tax rate is reduced a third interim dividend will be paid. Earnings per share are given at 17.6p (21.9p) before tax and 11.6p (13.4p) net.

After tax, including associates', of £8.91m (£10.62m), and minority interests of £1.57m (£1.04m), attributable profit was £14.59m (£14.75m).

Directors say 1977-78 was a successful year for the European region with results well ahead of last year.

In America, management and production problems coupled with severe price competition in the industrial battery division contributed to a poor performance, they say. The second half showed significant improvement, however, particularly in the automotive division.

Overseas, most countries where Chloride has a manufacturing stake experienced severe economic conditions, allied in several cases to political change and balance of payment problems.

In spite of this most companies exceeded the previous year's levels, with Australia a notable exception. The overseas operations as a whole achieved a similar result to last year.

Despite the £3m loss in profits caused by the first-half strike at the two UK battery making companies the group's European operations increased profits by £3.3m to £17.2m, the directors said later.

Chloride Group directors (left to right) Mr. John Ray, chief executive, Mr. David Cochrane, executive vice-chairman and Sir Geoffrey Hawkings, chairman, seen at yesterday's Press conference on the results. U.S. profits were cut back while Europe increased.

But the U.S. business had a poor year with profits down by more than a half at £2.2m against £4.8m last time. All the profit was made in the second half. The recovery of the second half is "continuing in the new financial year."

In Australia profits tumbled by around £1.5m at the pre-tax level.

On the recently announced increase in the National Insurance surcharge the directors estimated the increase would cost the group around £500,000 at the pre-tax level this year.

For the future directors say both short-term and long-term prospects are good because of the group's product and market spread. Priorities are to consolidate the recent progress, to exploit the group's potential and to pursue growth in areas of strategic importance.

During the year a revaluation of group property resulted in an £8.5m surplus which has been taken to reserves. Since year end arrangements have been completed for a $35m seven-year floating rate loan to refinance short-term borrowings.

Directors say the group's financial position is strong with gross gearing at 65 per cent and net gearing at 59 per cent at balance date.

In the year it established a foothold on the west coast of North America with the purchase of battery companies in Oregon and British Columbia. In France, the acquisition of Cordel further developed its interests in standby systems in Continental Europe.

	1978 £000	1977 £000
Sales	306,229	260,451
Operating profit	[illegible]	[illegible]
Assoc. profits	[illegible]	[illegible]
Interest	5,456	4,712
Profit before tax	25,068	26,410
Tax	8,803	9,710
UK	3,213	1,882
Overseas	5,589	7,828
Associates' tax	308	913
Net profit	16,158	15,787
Minorities	1,569	1,036
Attributable	14,589	14,751
Dividends	5,556	5,457
Retained	9,033	9,294

See Lex

Pauls & White advances 20%

WITH ALL divisions increasing their contribution pre-tax profit of Pauls and Whites in the March 31, 1978 year increased 20 per cent from £5.21m to a peak £6.25m on turnover 12 per cent ahead at £144.77m compared with £129.17m previously.

After tax of £1.9m (£1.4m) net profit was £4.35m (£3.81m) and earnings per 25p share are shown at 17.17p compared with 18.92p last time, reflecting the one-for-four rights issue in April 1977.

The final dividend is 2.79p net as forecast for a total of 4.29p against 3.451p previously.

Glentham Essence Company, acquired in the year, contributed to profits in the second half, directors say, along with all operating companies.

At halftime profit was £0.39m higher at £2.63m.

● comment

With national demand for animal feedstuffs showing a volume drop of around a tenth, and malt production static, Pauls and Whites has had a difficult year. Nevertheless, profits are a fifth higher. In the animal feeds division, profits are up by 11 per cent. Volume was around 7 per cent lower but margins were made up by improved sales of seeds, fertilisers and chemicals. The malt side showed a profits rise of around 14 per cent, mainly due to higher selling prices. Elsewhere, overseas competition has continued to provide difficult conditions for pig production, but profits are slightly better because of lower feed prices and slightly higher pig prices. Meanwhile, conditions are likely to remain difficult. There are still no signs of a recovery in whisky production to lift malt production while shrinking livestock herds reduce the demand for feedstuffs. At 121p, the p/e is 6.9 on a low tax charge while the yield is 5.5 per cent.

BIT switches to the U.S.

In the March 31, 1978, year British Investment Trust reduced its commitment in Canada and made a modest reduction in Japan with the funds released re-invested in the U.S., Mr. F. B. Harrison, the chairman, says in his annual statement.

Also the property portfolio was valued for the first time on an open market basis, with a £1.26m surplus arising on the previous £10.47m valuation. This has been included in the accounts.

At balance date quoted UK investments of BIT, which is 82.6 per cent owned by Black Diamond Pensions, stood at £64.3m (£54.51m), and overseas at £30.99m (£33.36m). Unquoted investments were £2.53m (£2.28m) and short-term deposits £2.49m (£4.75m). Net assets were £120.31m (£104.05m).

A. Cohen drops to £1.87m

AS FOREWARNED at midway, pre-tax profits of A. Cohen and Co., the metal refining and non-ferrous alloy making concern, fell from £2,138,289 to £1,867,699 for 1977. Turnover was higher at £44.03m against £40.67m.

At the half-way stage, when reporting profits little changed at £1.09m (£1.08m), the directors said full-year profits would be reduced, due partly to difficult trading conditions and also to less favourable exchange rates.

After tax of £733,639 (£882,553) and £406,402 (£420,215) minorities, available profit dropped from £835,501 to £727,658 for 1977.

Earnings per 20p share are given as 39.5p (45.3p), while a final dividend of 3.5052p raises the total payment from 4.91p to 5.4302p net.

SHARE STAKES

Oxley Printing Group: Mr. M. Lewis, chairman, has sold 20,000 shares at 58½p.

Peninsular and Oriental Steam Navigation Co.: John James Group of Companies holds preferred stock (more than 5 per cent).

Ruberoid: Mr. J. A. Roberts bought 8,920 shares on June 13 at 87p. Total holding 55,000.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Alpine Drinks	4.4†	July 21	2.23	6.6	3.33
Amber Ind.	0.54	Aug. 4	0.5	0.54	0.5
Anglo American Gold int.	100§	Aug. 4	80	—	165
S. and W. Berisford ...int.	1.93†	Oct. 6	1.75*	—	4.13*
Bluemel ...int.	1.65	—	1.5	—	3.67
B and C Shipping 2nd int.	5.01	Aug. 4	4.35	9.26	8.35
Brit. Cinematograph	1.49	—	1.34	1.49	1.34
Castlefield Klang ...int.	1.1‖	Aug. 11	0.5	—	9.8
Caledonia Inv. ...2nd int.	4.68	Aug. 7	4.07	8.49	7.61
Charter Trust ...int.	0.75	Aug. 17	0.7	—	2.15
Chloride ...2nd int.	3.79	Aug. 15	3.4	5.14	4.65
A. Cohen	3.51	Sept. 1	3.19	5.43	4.91
Dom Holdings	3.04	Aug. 4	2.76	4.64	4.2
Dominion and Gen. Tst.	6.25	—	5.25	7.75	6.75
Dundee and London...int.	0.9	July 21	0.8	—	2.3
Duple ...int.	0.34	July 15	—	—	0.59
English China ...int.	1.93	July 19	1.75	—	3.55†
Fortnum and Mason	17.3	Aug. 2	17.3	20.8	20.8
Ch. Goldrei. Foucard	1.8	—	1.63	2.69	2.43
Hargreaves Grp.	1.92	July 27	1.72	3.22	2.88
Heywood Williams ...int.	3.5	Aug. 4	nil	—‡	nil
Highgate and Job	1.5	July 31	3	2.5	4
Intnl. Timber	4.29	—	3.8	7.04	6.3
Killinghall Rubber ...int.	4¶	Aug. 11	1.38	—	11.65
Wm. Leach	3.5	Aug. 25	2.5	6	5
R. Paterson	1.51	Aug. 19	2.28	2.55	2.28
Paul and Whites	2.79	—	2.41	4.29	3.45
Saatchi and Saatchi ...int.	2.7	Sept. 29	2	—	4.13
Triplex	3.06	Aug. 4	2.74	4.63	4.19
J. W. Wassal	0.24	July 26	0.2	0.44	0.4

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Forecast 4.8p. § South African cents throughout. ¶ Malaysian cents. ‖ To reduce disparity. Total distribution expected to be approximate last year excluding the 6.5p special distribution at Castlefield.

Sluggish demand knocks £5m off English China

WITHOUT THE hoped for improvement in its markets taxable earnings of English China Clays slumped from £13.51m to £8.53m in the half year to March 31, 1978, and Lord Aberconway, the chairman, says that as there is no early prospect of a significant increase in demand from the paper industry full year profit will inevitably fall short of the record £30.48m seen for 1976-77.

Following the rights issue last year the group liquid position remains sound but nevertheless the directors have thought it wise to arrange a five to seven year loan of £20m from a syndicate of banks. This will provide the further funds to finance a continuing high level of capital expenditure, to cover working capital needs in an inflationary situation and increased volumes of business in due course, and to enable the group to take advantage of suitable opportunities that may arise for growth, the chairman says.

Stated earnings per 25p for the first half slipped from 4.44p to 2.57p and the net interim dividend is raised to 1.925p (1.75p) absorbing £3.11m (£2.82m). If dividend restraint is not lifted and ACT remains unaltered the directors plan to pay a 1.9842p final against 1.8038p last time. This would be paid with an additional 0.0274p for 1976-77 if the 1p income tax is confirmed.

Profit included a £0.7m (£0.73m) transfer from the capital grants account and was after depreciation of £5.17m (£3.23m). After tax of £4.4m (£7.08m) net profit emerged at £4.13 (£6.43m).

The directors hope that the troubles at clay and transport divisions (where since the half year end there have been difficulties over pay demands and in interruption of production) are now over.

Trading in Europe has been very much in the doldrums and demand for china clay has remained sluggish. Despite fluctuations in exchange rates during the first half, the group at least maintained its market share, except for marginal tonnage losses in the lower grade filler market. It also held, despite pressures, export prices, though it has not been practicable to raise them generally in the important paper market since January 1977.

See Lex

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Brunner Investment Trust, Arthur Guinness, Raeburn Investment Trust.

Finals—Bell and Sime, Brent Walker, Caffyns, Crosby Spring Interiors, Ferguson Industrial, Pilkington Brothers, Property Partnerships, Victoria Carpet and Jonas Woodhead.

FUTURE DATES

Interims—

Healys	June 22
Kenning Motor	June 21
Thermal Syndicate	July 6

Finals—

Associated Newspapers	July 3
Cattle's Holdings	June 26
Elliott (B.)	June 21
London Sumatra Plantations	June 19

POWELL DUFFRYN

Due to expansion of business by Cory Brothers Torque Loading, of Powell Duffryn House, Cardiff, it has been decided to bring this company's activities within the Powell Duffryn engineering division and to change the name to Powell Duffryn Tools.

Dom Holdings tops £1m

FURTHER growth was achieved by Dom Holdings, a maker and retailer of fixing products, in the year to March 31, 1978, with taxable earnings advancing from £834,532 to a record £1,022,643. Sales improved by £2.1m to £10.37m.

Halftime profit was better at £406,171 (£323,168) and in December the directors said the group was in a continued process of reorganisation and trading activity in the second six months was progressing satisfactorily.

Stated earnings per 10p share for the year were ahead to 6.92p (5.59p) and a net final dividend of 3.039036p takes the total to 4.644222p (4.19991p), costing £132,861 (£120,149). Mr. D. O. McIntyre, the chairman, has waived 99.9 per cent of his entitlement in respect of 4.64m shares.

After tax of £503,724 (£415,098) the net balance came out at £518,919 (£419,434), of which £366,056 (£299,285) was retained.

EDINBURGH INV. TRUST

Edinburgh Investment Trust has repaid part of its foreign borrowing amounting to U.S.$2m.

B & C Shipping ahead at £29m

AFTER RISING from £10.42m to £11.89m at half-way pre-tax profit of British and Commonwealth Shipping Company ended 1977 £2.04m higher at £29.31m on turnover ahead from £218.1m to £238.13m.

A satisfactory increase for the year was forecast in November, and directors say now that while it is too early to make any firm prediction present conditions in the shipping industry and other related factors suggest that pre-tax profit for 1978 will show a reduction on this year's record.

Operating profit of the group for the year was down from £20.83m to £16.86m, with the drop in shipping profits from £8.50m to £2.75m and the decline in the proceeds from the sale of ships from £3.39m to £0.28m only partially offset by improvements elsewhere.

One of the major improvements came in the leisure division where the loss was cut from £2.88m to £0.43m, while the airtransport and helicopter operations climbed some £1.7m to £9.63m. Aviation support services were up from £1.36m to £2.24m and office equipment activities increased from £0.99m to £2.05m.

Other group activities contributed £1.5m, down from £2.90m previously, and there were realised currency loan losses of £1.22m (£1.43m).

The associate company contribution jumped from £3.40m to £8.77m, while interest and dividend income rose almost £1m to £10.52m.

The accounting basis of B and C has been changed to include associate contributions, and the 1976 figures are restated. The change followed the advent of containerisation on the South African trade and the increase in the group's shareholding in Overseas Containers from 7.6 per cent to 20 per cent. It was also felt appropriate to deal similarly with the results of principal associates, directors say.

After tax of £15.26m (£15.84m) net profit was £14.05m (£11.43m) and earnings per 50p share are shown ahead from 28.9p to 34.5p.

The second interim dividend is lifted from 4.3545p to 5.0076p for a total of 9.2576p against 8.3545p last time. Directors intend paying a final dividend if the rate of ACT is reduced.

	1977 £000	1976 £000
Turnover	238,130	218,100
Profit from shipping, aviation and other activities	37,348	30,895
Profit on sale of ships	275	3,392
Depreciation	14,962	13,459
Operating profit	16,863	20,829
Divs., interest receivable	10,521	9,583
Interest payable	6,839	6,629
Associates' profits	8,766	3,490
Profit before tax	29,312	27,273
Tax		
Group	10,586	12,817
Associates	4,674	3,026
Net profit	14,052	11,430
To minorities	2,871	2,070
Extraord profits	704	†142
Available	11,885	9,215
Dividends	2,999	2,706
Retained	8,886	6,512

† Loss.

See Lex

First-half growth for S. & W. Berisford

WITH TURNOVER up 12.5 per cent to £023.63m reflecting further growth worldwide, pre-tax profits of S. and W. Berisford, the international food merchanting, commodity trading, metals and insurance group, advanced by 17.2 per cent from £11.64m to £13.65m for the six months to March 31, 1978.

Mr. E. S. Margulies, the chairman, reports that overall the trading divisions gave a good account of themselves and showed continued growth. No account has yet been taken of the benefits which are anticipated to flow from the acquisitions concluded so far this year, but which will make a contribution to the full-year's result.

An analysis of turnover (in £000's and per cent) and pre-tax profit (in £000's and per cent of turnover) shows: UK £321,970 (51.6 per cent) and £6,490 (2.02 per cent). Europe £59,145 (9.5 per cent) and £2,776 (4.69 per cent), North America £81,527 (13.1 per cent) and £796 (0.98 per cent), and Entrepot (external trading on which profits accrue to the UK) £160,984 (25.8 per cent) and £3,584 (2.23 per cent).

Net profit for the half-year increased from £9.7m to £12.13m, after tax of £1.52m (£1.95m) which comprised UK £769,000 (£570,000). Foreign £651,000 (£1.26m) and associate £101,000 (£117,000).

The UK tax charge has been limited to an amount equivalent to ACT which the group is required to pay on the interim dividend and comparatives have been amended accordingly.

After minorities of £336,000 (£73,000) and preference dividends, available profit emerged as £11.79m (£9.62m). The net interim dividend is effectively raised from 1.75p to 1.925p per 25p share, absorbing £1.56m—last year's final was an adjusted 2.375p paid from £23.57m record taxable profits.

The directors add that this year's final dividend will take account of any reduction in tax credit on dividends to 33 per cent and any further freedom which would exist if present controls on dividends are eased or lifted.

● comment

Berisford's interim profits—17 per cent ahead pre-tax—are right in line with market expectations and the group looks to be comfortably heading for £27m to £28m for the year despite the decline in activity in the commodity markets. The lower level of trading in cocoa, coffee and sugar—still the backbone of the company's trading activities—has not had a dramatic impact on the figures for two reasons. There is a carry through from the buoyant levels of last year as profits are taken on contract completions, and secondly financing costs have declined as the amounts deposited with the Commodity Clearing House moves down with the fall in trading. So the question for the market is not how good this year will be but what the lower level of activity means for the next. Berisford remains optimistic, but the market cannot help but have some fears. However, the company has a good track record and to some extent investors are backing management judgment—obviously highly relevant in a dealing operation. At 137p, the prospective fully taxed p/e of over 8 and yield of around 5 per cent is not demanding—but Berisford's rating is rarely high.

Alpine Soft Drinks 16.6% higher

REFLECTING A 12.3 per cent increase in sales volume of its soft drinks, taxable profits of Alpine Soft Drinks rose by 16.6 per cent to a peak £1,539,895 for the 53 weeks to April 1, 1978, compared with £1,320,750 for the previous 52 weeks. Turnover advanced from £8.82m to £11.41m.

Following midway profit of £920,679 against £832,584, the directors consider the full year result satisfactory having regard to the poor weather conditions throughout the year.

The major expansion and development in the South-East of England has been hampered first by exceptional planning delays and later by constructional problems, they report. This delayed the completion of the Basildon and Woolwich factories and although sales operations commenced during the latter months of 1977-78 at both places, production had not started by the end of its financial year.

The two factories are now complete and will be brought into production later in the year, but this will of necessity involve development costs which will also be incurred in the expansion of the Maxipops and Leisurewear businesses.

Although expenditure was planned at an amount in excess of £2m for 1977-78, the delays resulted in some being deferred into the current year.

Present expansion plans including Maxipops and Leisurewear envisage an expenditure on fixed assets in excess of £1.5m for 1978-79, the directors add.

The current year is certain to be a very busy one for the group, they say, and subject to unforeseen difficulties, the directors hope to announce a further increase in profits.

After tax of £797,000 (£685,500) net profit for 1977-78 rose from £635,250 to £742,895, representing earnings of 14.7p (13.29p) per 10p share. As forecast at the time of last year's rights issue, the dividend total is lifted to 6.6p (3.333825p) net, with a final of 4.4p—the final has been waived by the managing director on his holding of 1.11m shares.

Dividends absorb £250,882 (£155,880) leaving profit retained slightly ahead from £479,370 to £492,013.

Ch. Goldrei Foucard grows to £453,000

Taxable profit of Ch. Goldrei, Foucard and Son, food maker, for the year to March 25, 1978, expanded from £383,750 to a record £453,184 on sales up £1.45m at £9.19m.

Mid-year the surplus was better at £193,647 (£166,858) and in December the directors said they expected full time profit to at least equal that for the previous year.

A net final dividend of 1.8p lifts the total to 2.69p (2.43p). Mr. L. H. Goldrei, the chairman, and his wife have waived payments on 171,435 shares.

Tax took £222,186 (£200,506) leaving a net balance for the year higher at £230,998 (£183,244).

Caledonia Inv. at £3.16m

FROM TURNOVER little changed at £5.55m, against £5.54m, taxable profit of Caledonia Investments, which owns 49 per cent of British and Commonwealth Shipping, rose from £3.07m to £3.16m in the March 31, 1978 year.

The result is subject to tax of £1.18m (£1.34m) and after minority interests of £66,000 (£79,000) and extraordinary profits of £22,000 (£10,000 loss) attributable profit is shown at £1.94m compared with £1.64m previously.

Earnings per 25p share are given at 10.58p (9.08p) and a second interim dividend of 4.6805p lifts the total from 7.6097p to 8.4305p. If the rate of ACT is reduced a final will be paid to maintain the maximum permitted gross.

Its 74 per cent-owned subsidiary, Amber Industrial Holdings increased pre-tax profit from £227,725 to £361,528 in the same period with turnover up from £2.45m to £3.03m.

The year's result is after interest of £3,156 (£8,281) and depreciation of £68,969 (£47,922). Tax, including a reduction of £5,267 (£2,345) for prior years takes £199,692, against £129,655.

After an extraordinary loss of £6,387 from goodwill written off—less the profit on the sale of freehold property—attributable profit came out at £155,259 (£98,070). Earnings per 10p share are shown ahead from 3.62p to 6.06p.

A first and final dividend of 0.5440p is to be paid compared with 0.4951p last year.

Belhaven cuts loss to £9,000

TURNOVER FOR the year to April 2, 1978, at Belhaven Brewery Group advanced from £2.9m to £3.23m and the net loss was reduced to £9,000, compared with £693,000 last time.

During the year, brewery trading continued to expand rapidly with turnover ahead by 24 per cent to £2.57m and trading profits by 20 per cent from £299,000 to £361,000. The hotels sector achieved a turnround from a £2,000 loss to profits of £44,000, on turnover of £0.65m (£0.74m).

In the first two months of the current year, the brewery turnover has increased by a further 25 per cent with a commensurate increase in profits, and it is now operating at over 65 per cent of production capacity.

The successful development of the brewery will result in a satisfactory level of profits in the current year and return to the payment of dividends, the directors say. In this connection, application will be made in September to the Court of Session in Edinburgh, to approve the set-off of losses incurred during the development of the brewery against the group's substantial capital reserves, thus removing restriction on dividend payments.

The last payments made totalled 3.4p net in respect of the 17 months to end-March, 1974.

Since the year-end, agreement has been reached to sell the smaller of the two Bermuda Hotels for £660,000, which will realise a substantial exchange profit. Sale of the remaining Bermuda Hotel is currently under consideration in line with the policy of concentrating all the group's assets within the UK brewing industry.

With net current assets of £30,000, compared with £1.32m liabilities, the balance-sheet reflects the results of the sale of the group's former trade investments. Cash on deposit amounts to some £400,000 against an overdraft of £1.4m in 1976-77, and there are ample funds to finance the growth of Belhaven Brewery, the directors add.

In November the company changed its name from C.C.H. Investments.

	1977-78 £	1976-77 £
Turnover	3,225,000	2,903,000
Trading profit	408,000	397,000
Administration	79,000	109,000
Repairs and renewals	108,000	86,000
Depreciation	104,000	85,000
Interest payable	226,000	263,000
Loss	113,000	349,000
Tax recovered	25,000	*181,000
Except. profits	79,000	‡344,000
Net loss	9,000	693,000
Ceased activities	†78,000	146,000
From reserves	87,000	847,000

* Charged. † Interest. ‡ Profit.

After tax of £526,607 (£282,645) net profit advanced from £275,348 to £318,713. The dividend total is held at 20.8p per £1 share, with a net final of 17.3p (same).

Continuous Stationery at £0.2m

Turnover for the year to March 31, 1978, of Continuous Stationery rose from £2.19m to £2.44m, and pre-tax profits advanced from £175,914 to £196,159.

In January, reporting a first half surplus ahead from £100,431 to £114,120, the directors said they were hopeful that that level would be continued in the second half.

After higher tax of £106,858, against £50,743, full year earnings are shown at 3.57p (5.01p) per 10p share. The final dividend is 1.62p net for a 2.52p (2.32p) total costing £63,000 (£58,000).

The directors now say that the current year has begun comparatively satisfactorily so far as the order book is concerned, although trading margins are remaining extremely tight.

Fortnum & Mason

An upsurge in profitability is reported by Fortnum and Mason, the departmental store operator, with pre-tax profits nearly doubled from £557,993 to a record £1,045,320 for the year to January 28, 1978.

Highgate & Job slumps—dividend cut

With a fall from pre-tax earnings of £50,399 into a loss of £63,061 in the protein division profit at Highgate and Job Group for the year to March 31, 1978 was more than halved to £106,267, against £264,274, and the directors propose a sharply reduced dividend.

Sales by the oil division were better at £3.31m (£2.84m) but profit was down at £169,328 (£213,875), and turnover in proteins slipped by £1.09m to £6.89m.

At halftime when the surplus was ahead at £103,000 (£87,000) the directors anticipated that any improvement by the proteins division would be offset by a poorer performance from oil.

Now they report that a delay to the cargo, referred to in the interim report, necessitated a spot purchase of sperm oil to fulfil contracts. The Board has taken steps to protect its legal position arising from the delay.

The resulting stock losses caused a more severe fall in the profits for the second half of the year just ended than expected, and the operations of the proteins division are under review.

Uncertainties in the fields of operation of the company and the outcome of the claim for the delayed cargo make it difficult at this stage for them to predict the result for the current year.

Tax took £55,356 (£148,642) leaving earnings per 50p share down 7.1p at 5.5p and a net final dividend of 1.5p lowers the total to 2.5p (4p).

MINING NEWS

NBH denies bid for BH South

BY KENNETH MARSTON, MINING EDITOR

PERSISTENT rumours, with their inevitable sharemarket impact, that Australia's base-metal group, North Broken Hill plans to make a take-over bid for BH South have drawn a denial in Melbourne from the former's Mr. Bill Forster, manager for finance and administration.

He added that NBH has not purchased any more BH South shares since last December and confirmed that his company's holding in BH South amounts to 16 per cent of the 55.55m shares of 50 cents in issue. The NBH staff provident fund holds a further 2 per cent.

Queried by the Melbourne *Stock Exchange*, BH South said that it did not know of any reason for the latest rise in its share price and added that it did not have any announcement pending other than the date of termination of the company's phosphate production. This date is to be June 30: the intention to end production by the loss-making **Queensland Phosphate** subsidiary was announced last month.

The previous buying of BH South by NBH initiated the talk of a possible bid, but in view of the company's relatively small attraction for NBH it would appear that the buying might be more reasonably interpreted as a defensive move against other predators.

The **Consolidated Gold Fields** group, which is still in the process of reorganising and tidying up its various Australian activities which are under the control of ***Consolidated Gold Fields Australia***, has also been mentioned as a possible bidder for BH South.

But popular market fancy turned yesterday to a more likely bid by the group for the successful **Renison** tin producer in Tasmania, in which Gold Fields already has a 53 per cent beneficial interest. In Sydney Renison shares jumped A$1.30 to a peak of A$10.30 to the accompaniment of talk of a possible $A14 per share bid.

Despite the various rumours it was understood in London yesterday that the Gold Fields group was not contemplating making any announcement of real import in the immediate future. In a cooler Australian share market yesterday, BH South closed 1p up at 119p (they rose 17p on Wednesday) while North Broken Hill eased 1p to 31p and Consolidated Gold Fields Australia were 5p off at 295p.

NCHANGA MOUNTS £95M PLANT EXPANSION

An announcement about the construction of the third stage of a tailings leach plant at **Nchanga Consolidated Copper** is expected soon, writes **Michael Holman from Lusaka.**

Nchanga, which is 51 per cent owned by the Zambian Government, has been considering the $175m (£95.7m) scheme for a long time, but there have been difficulties in raising the finance.

Funds are now expected to come from the **International Finance Corporation** and the **Bank of America.** One of the main contractors is expected to be **Davy Powergas (UK).**

The project consists of an extension to the tailings leach plant, the construction of an acid plant and the extension of a lime plant at **Ndola Lime**, an associated company.

Production will be about 40,000 tonnes of cathode copper annually for 10 years from the treatment of old tailings at Chingola. The cost will be around £300 per tonne.

Hunosa cannot check losses

HUNOSA, the Spanish state-owned coal mining concern, has reported a 1977 loss of Pta 10.08bn (£60m). This is some Pta 700m (£4.8m) more than was anticipated in September last year, **reports Robert Graham from Madrid.**

Hunosa, wholly owned by the state holding company INI, produces about a quarter of Spain's coal and provides two-thirds of industry's coking coal needs.

Traditionally its deficit has been covered by direct Treasury grant since it is INI's biggest single loss maker. This now has to pass through Parliament and only on Wednesday Pta 8.29bn was approved to cover the 1976 deficit.

Although Hunosa increased production 16 per cent to 4.05m tons last year, this was still well short of the 4.7m tons target. The management has placed some of the blame for this shortfall on a low level of productivity and extensive absenteeism.

Sales improved by almost 47 per cent in money terms to Pta 13.8bn. Nevertheless, losses represented 73 per cent of sales.

To improve the financial position, plans are being implemented to diversify into forestry, industrial studies and thermal power.

LAURASIA MAY OFFER SHARES

South African gold hopes of Canada's **Laurasia Resources** took a knock last year when the group was unable to obtain the financing needed to increase the operational capacity of the Minador mine in the Johannesburg area. Underground operations were suspended in September, but the profitable treatment of tailings continues.

Laurasia still hopes to resume mining at Minador, concentrating on the higher grade reserves on the Main reefs. Mr. A. C. A. Howe, president, says that serious consideration is being given to raising C$80,000 by way of a rights issue. The shares were 20p in London yesterday.

JAPAN ADVISER TO YEELIRRIE

Australia's **Western Mining** and the **Industrial Bank of Japan** announce that IBJ has been appointed financial adviser in Japan for the Australian company's Yeelirrie uranium project in Western Australia.

Western Mining will be assisted by IBJ in considering all financial aspects of the project as they relate to Japan, it is stated. Meanwhile, London merchant bankers S. G. Warburg continue to be financial advisers to the project in all other respects.

AMGOLD INTERIM

An interim dividend of 100 cents (63p) is declared by **Anglo American Gold Investment** for the 14-month period to February 28. Following the company's decision to change its financial year-end to February 28, from December 31 previously, a report on the results for the eight months to August 31 next will be issued towards the end of September. For 1977 Amgold paid an interim of 80 cents and a final of 85 cents.

RESULTS AND ACCOUNTS IN BRIEF

ASH SPINNING COMPANY—Results for year to March 25, 1978 already known. Group fixed assets £424,683 (£270,758), net current assets £1,062,050 (£942,376). Bank overdrafts £148,651 (£315,071). Meeting, Shaw, July 5, at 10.30 a.m.

SCOTTISH AGRICULTURAL SECURITIES COPORATION—Results for year to March 31, 1978, already known. Fixed assets £15.05m (£14.25m), current assets £0.4m (£0.54m) and current liabilities £1.42m (£0.73m). Working capital decreased £516.25m (£2.13m increase). Meeting Edinburgh, July 6, at 11.30 a.m.

ALTIFUND—Results for year to March 31, 1978, reported May 5. Investments in UK, quoted £5.6m (£5.08m), abroad £257,108 (£238,756), and unquoted at directors' valuation £97,338 (£88,252). Unrealised appreciation £1.19m (£762,564). Net current assets £253,769 (£233,841). Directors confident that income will continue to grow enabling dividend to be raised again. Meeting, 2, St. Mary Axe, E.C., July 6, noon.

DORANAKANDE RUBBER ESTATES—Results for 1977 already known. Investments £47,747 (£44,787), associated company £60,424 (£60,671). Current assets £22,352 (£12,215), current liabilities £13,637 (£13,324). Kinta Kellas Rubber Estates holds 22.8 per cent, Malaysia Rubber Company 17.6 per cent: New Crescent (Holdings) 12 per cent and G. H. Kluge and Sons 13.5 per cent. Dividend prospects of plantation companies remain good for current year, chairman says. Meeting, 1-4, Great Tower Street, EC, July 6, noon.

GUARDIAN INVESTMENT TRUST COMPANY—Results for year to March 31, 1978 already known. Investments quoted in UK £42.43m (£37.65m), overseas £11.73m (£13.29m) and directors' valuation of unquoted £5.19m (£4.37m). Net current assets £2.15m (£0.83m). Liquidity increased £1.51m (£1.43m). Meeting, 11, Walbrook, EC, July 6, at noon.

DOMINION AND GENERAL TRUST—Final for year to April 30, 1978, 6.25p net making 7.75p (6.75p) total. Revenue £351,297 (£316,257) after all charges including tax, overseas £15,168 (£16,512), corporation £43,457 (£65,265) and imputed on franked investment income £153,517 (£129,576). Earnings per 25p share 8.07p (7.24p). Net asset value per ordinary share 255p (236p).

Debenhams credit sales likely to increase

AS A RESULT of recent Government concessions credit sales at **Debenhams** are likely to further increase, Sir Anthony Burney, the chairman, says in his annual statement.

The group continues to promote credit trading and such sales rose 40 per cent to £77m in the January 28, 1978 year.

And Debenhams is able to take full advantage of the Government concessions in view of the arrangement for the sale of up to £45m of trade debtors to Lloyds Bank, Sir Anthony says.

The £45m facility replaces a £19.5m three-year revolving overdraft facility used to finance credit sales debtors. At balance date £12.3m had been received under the new arrangement.

During the year £21.9m was raised through a rights issue while sales and leasebacks of properties provided £19.5m of capital sums after expenses against £1.5m *of initial annual rents.* These three transactions have reduced borrowings to £55.2m (£81.8m), representing 32 per cent of shareholders' funds against 57 per cent previously.

A further sale and leaseback transaction for approximately £5m is near to finalisation, Sir Anthony says.

Debenhams has also sold its two superstores at Nottingham and Walkden to Tesco and has reached agreement to sell a department store at Bradford which is now more suitable for a superstore. The total consideration will be £4.35m.

The company has recently received planning permission for a £20m reconstruction of its Croydon property which will include a new store, a shopping centre and offices. It is intended that this scheme should be subject to separate financial arrangements.

A new supermarket is planned to open this year and three more will open in 1979. Two new stores are due to open in November this year and two more are planned, while a reconstruction and two extensions are underway or planned.

Sir Anthony says that the directors have carried out a thorough review of the cost structure and are taking steps to improve the sales mix in order to increase overall retail trading margins.

With the Caters food operation—which lost almost £1m last year—he says that while food profits will inevitably continue to be affected by the cut-price policies of competitors, the steps taken to improve the position are already meeting with success. The chairman is confident that results will not be unsatisfactory.

Moves have been made to strengthen the management team in the photographic business and to rationalise buying policies.

The group now has 48 sports departments in its stores and the rate of build-up in turnover makes the directors confident of the future of this retailing activity.

The New Dimension furniture, furnishing fabrics and lighting operation now opening departments in its stores is also expected to be a valuable addition to the group.

Sir Anthony says, however, that Debenhams should not acquire or invest substantially in any new type of business unless it can contribute to the efficiency or development of its department store operation.

A current cost statement shows the pre-tax profit of £28.26m (£20.45m) reduced to £21.2m (£15.2m) by additional depreciation of £3.2m (£2.4m) and a cost of sales adjustment of £6.2m (£5.1m), offset by a £2.3m (same) gearing adjustment.

Meeting, Wigmore Hall, W, July 13 at noon.

Hargreaves second half slip

INCLUDING A slightly lower contribution from associates of £0.86m against £0.91m pre-tax profit of **Hargreaves Group** rose from £3.27m to a record £3.42m in the March 31, 1978, year on turnover up from £134.06m to £153.34m.

Directors say the results reflect the underlying *strength* in the group's basis markets and say they were achieved despite *particular difficulties in certain areas.*

The *current* year has started well and opportunities have been created for the future, they add.

After tax of £1.73m (£1.69m) net profit was £1.69m (£1.68m) and earnings per 20p share are shown at 6.4p against 5.3p. Net tangible assets amounted to 54.1p (50.9p) per share.

A final dividend of 1.9167p takes the total payout to 3.2167p net compared with 2.88p last year, and dividends will absorb £0.85m (£0.76m).

	1977-78 £000	1976-77 £000
Turnover	153,342	134,057
Depreciation	2,204	1,825
Interest paid	388	351
Assoc. profits	858	907
Profit before tax	3,422	3,272
Commercial vehicles	481	451
Fertilisers	794	873
Plant hire, etc.	466	332
Quarrying	414	292
Fuel distribution	713	762
Transport, warehousing	739	672
Debenture interest	210	211
Tax	1,727	1,694
Dividends	848	760

● comment

Hargreaves has been unable to maintain its first half profits growth of a tenth. In the last six months there was a downturn of almost three per cent, mainly because of the heavy snowfalls in the north of England which halted almost all divisions during January and February. Exports have only marked time due to the recession in the steel industry and reduced demand for coke/coal, while *higher costs and increased competition* cut deeply into fertiliser margins. In addition, plant hire and warehousing have been flat while shipping has suffered in line *with lower international trading* patterns. However, all this has been offset by an upsurge in waste *disposal activities while transport* services for liquid raw materials were active. Commercial vehicle *building also showed a small* profits rise, mainly due to good support from the spares market, and quarrying was a tenth higher, in spite of the government cutback on roads expenditure. All this left the share price unchanged at 57p for a p/e of 8.6 while the yield is 8.8 per cent.

Laporte plans U.S. development

IN CONJUNCTION with its partners in Interox **Laporte Industries (Holdings)** plans to set up peroxygen manufacturing facilities in the U.S. As a start a major hydrogen peroxide plant is being built at Houston, Texas, which the directors hope will be closely followed by facilities to produce sodium percarbonate, made by a completely new process developed by Interox.

Mr. R. M. Ringwald, group chairman, told the annual meeting that the directors believed this development would have significant importance in the future and put the seal on Interox as the world's leading producer of peroxygen products.

While so far in 1978 volume for titanium dioxide pigment, one of the group's major products, had not improved in either the UK or world markets, real signs have recently appeared indicating a reversal of the adverse price trend.

Increased prices, coupled with the current drop in the strength of the pound should produce better competitiveness and profitability in this sector. Most of this improvement would come in the second half and is much dependent on costs not rising disproportionately, he said.

Demand on the whole for the group's other products is relatively static but there are indications that the lowering of margins, which has occurred with some products, may be coming to an end.

Lead Industries Group—Mr. Ian Butler, the chairman, said that the group was dependent on the level of economic activity in various countries and there had not been signs of any better conditions in those national *economies.*

In the UK, the group's most significant area, there is little sign of any increased total activity. Though some had improved their level of profits so far, the UK subsidiaries were not expected to maintain the excellent levels achieved in 1977, he said.

Combined English Stores Group—Mr. Murray Gordon, the chairman said the company had made an excellent start to the current year. There had been much improved trading conditions in the UK and the results for the first quarter were substantially better.

The newly acquired Kendall and Sons continued to incur losses in the early part of its current year but was now trading profitably.

He was confident that the year would show substantial growth for the group and he hoped to be allowed to recommend a much higher dividend next year.

Dutton-Forshaw—Mr. R. F. Hockin, the chairman said overall results for first five months of this year were very considerably ahead of last year and he was sure that 1978 would prove to be a record year.

The Board was constantly looking at opportunities, not only in the traditional fields but in other associated businesses. One of these negotiations is now reaching finality, he added.

BSG International—Mr. Harry Cressman, the chairman, said of forecast for the current year made by the media that "for once my colleagues and I see no reason to take offence."

The retail motor trade was having an outstanding year. Vans and trucks were booming too and BSG was getting more than its fair share of the 1978 boom, he said. Also there were many opportunities for expansion in motor car components and before the end of the year the group planned to be in production in Spain with steering column locks and door lock sets and this would be followed by seat belts.

William Leech turns in £2.2m

IN THE context of the building industry Mr. J. Adamson, chairman of **William Leech (Builders)** considers the pre-tax profit of £2.2m for the year to February 28, 1978, compared with £2.78m for the corresponding period to be a particularly sound achievement.

He says that the profits were attained in a year when the building industry was faced with the continuing problems of inflation, uncertainty of building society finance and increasing land costs.

At half-way, he stated he was looking forward to a more profitable second-half and this proved to be the case, with an advance from £0.72m to £1.48m.

Yearly earnings are stated at 14.9p (21p) per 20p share and the dividend total is lifted from 5p to 6p with a final payment of 3.5p net.

	1977-78 £000	1976-77 £000
Turnover	30,820	25,943
Operating profit	2,874	3,317
Finance charges	688	543
Share of assoc.	14	10
Profit before tax	2,200	2,784
Tax	410	265
Profit after tax	1,790	2,519
Offer for sale expenses	—	110
Attributable	1,790	2,409
Dividends	720	600
Retained	1,070	1,809

Since January the increase in demand for housing has been experienced by the group but this occurred too late to affect the profits for the year.

The contracting side of the business continues to make progress and a significant contribution to the profits of the group. At the current time the company has work in hand to the value of £13.5m. It also has work in hand, mainly on land the group owns, for office and shopping developments to the value of £5m.

The accounts have adopted ED19. This, together with the profit for the year, has the effect of increasing the shareholders' funds from £6.9m last year to £11.87m, thus giving an underlying value at cost of almost £1 per share.

If the current market and economic conditions continue Mr. Adamson looks forward to a significant increase in sales for the current year.

BANK RETURN

	Wednesday June 14 1978	Inc. (+) or Dec. (—) for week
BANKING DEPARTMENT		
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	25,400,156	— 38,069
Special Deposits	1,312,380,000	— 18,420,000
Bankers	476,143,662	+ 56,952,166
Reserves & Other Accs	689,784,935	— 24,219,640
	2,416,261,739	+ 51,240,595
ASSETS		
Govt. Securities	1,616,461,087	— 307,485,001
Advanced & Other Accs	603,076,441	+ 413,698,882
Premises, Equip't & other Secs	168,647,126	— 59,779,973
Notes	28,382,205	+ 4,820,197
Coin	184,880	— 11,511
	2,416,261,739	+ 51,240,595
ISSUE DEPARTMENT		
LIABILITIES	£	£
Notes Issued	8,150,000,000	— 25,000,000
In Circulation	8,121,117,795	— 29,820,197
In Bank'g Dept.	28,882,205	+ 4,820,197
ASSETS		
Govt. Debts	11,015,100	—
Other Govt. Secs.	6,604,010,567	— 462,057,270
Other Securities	1,534,974,333	+ 437,057,270
	8,150,000,000	— 25,000,000

Bluemel Bros. just ahead at halftime

A marginal increase in pre-tax profits from £185,455 to £190,055 is reported by **Bluemel Bros.** the cycle and motor accessory group, from the 26 weeks ended April 1, 1978.

There have been some signs of recovery recently. Should this continue and given uninterrupted production the directors expect a satisfactory year.

In December the directors warned that an industrial dispute early in the first-half might affect results in that period. Demand, however, continued at a very high level.

Turnover in the half-year improved from £2.3m to £2.6m. After tax of £99,000 (£96,500), earnings per 25p share are stated at 4p against 3.91p.

To reduce disparity the interim dividend is lifted from 1.5p to 1.65p net. For 1976-77 a total of 3.67p was paid from profits of £375,000.

3.5p interim from Heywood Williams

After completing the purchase of Interstate United Corporation of the U.S., **Heywood Williams** Group announces that it is returning to the dividend list after four years with an interim payment of 3.5p net per 50p share.

Forecasting pre-tax profits for the year to April 30, 1978 of not less than £500,000, Mr. Douglas Oliphant, chairman, says that it is the directors intention to recommend a final dividend of 1.3p net.

Treasury permission has been granted for the interim payment under recovery rules. The taxable profit for the year to April 30, 1977 was £59,000 and for the 12 months previous to that a loss of £756,000 was incurred.

BIDS AND DEALS

Racal to dispose of South African offshoot for £6m

BY JAMES BARTHOLOMEW IN LONDON AND RICHARD ROLFE IN JOHANNESBURG

Racal Electronics, the military electronics group, is in the final stages of negotiating the sale of its South African subsidiary to a local company, Grinaker Holdings, for £6¼m in cash.

Racal Electronics SA is the group's second largest overseas company and one of the most profitable. Its pre-tax profits are running at about £2.2m per annum on a net asset base of only £4.7m.

It researches and manufactures its own products as well as marketing those of its UK parent. The products consist mostly of communications equipment, including back-pack radios and a new radio which can transmit through brick and which could have applications in deep level *mines.*

Racal is the latest in a long line of British companies selling or attempting to sell out of South Africa. In April, GEC sold half of its subsidiary there to Barlow Rand for £15.6m. And in January, Reed International tried, but failed, to reduce its commitment.

The South African Government might be particularly keen for Racal to divest, because its products have defence applications. The Government would like to seen control of strategically important companies into local hands.

Racal would make no comment on the sale last night, except to confirm that negotiations are taking place. But analysts specialising in the company suggested that another reason for the sale could be that actual or potential buyers of Racal equipment from black Africa might not like Racal having a subsidiary in South Africa.

In 1975, Racal embarked on a long-term expansion programme in South Africa but recently its main drive has been in the U.S. where it bought Milgo Corporation and Dana in 1977 and Vadic Corporation in April this year.

The proceeds of the disposal are expected to come through quickly at the official rate, subject to Reserve Bank approval.

The buyer, Grinaker Holdings, is a construction company which has been wanting to diversify for some time. Its shares were suspended at 295c last week.

NO PROBES

The following mergers are not to be referred to the Monopolies Commission: Northern Foods/Pork Farms; Jove Investment Trust/Kingside Investment Co.; Gunther Wagner Pelikan-Werke GmbH/Caribonum.

ENERGY SERVICES

Energy Services and Electronics authorised the issue on June 30 of 480,304 new ordinary shares of 10p each in settlement of £50,000 due to the minority shareholders in Neve Electronic Holdings on the same date.

HOGG ROBINSON

Hogg Robinson Group has agreed that Challenge Corporation of Wellington, New Zealand, should acquire a 40 per cent stake in Hogg Robinson (N.Z.). Under the terms of the agreement, Challenge and Hogg Robinson will become equal partners within a period of three years.

CELTIC HAVEN TALKS OFF

Celtic Haven confirmed yesterday that it has finally terminated negotiations to merge its marine engineering subsidiary, Barn Lake, with Hancock Shipbuilding (Pembroke). Hancock went into receivership last month.

Celtic said yesterday that Barn Lake has a substantial order book on hand and is currently self-sufficient. It added that the group will not be materially affected in any way by the difficulties of Hancock, which holds 20 per cent of Celtic.

Hancock's receiver is going to sell the 1m Celtic shares and Celtic directors say they "are keeping in touch with this situation."

Meanwhile, Celtic also said that present indications are that group pre-tax profits for the year to March 31, 1978 should not differ materially from the record £101,068 of 1976-77.

HILLESHOG/MILN

The Hilleshog offer for Marsters Group has been accepted in respect of 856,042 shares (83.4 per cent of shares for which offer was made). The offer remains open.

Saatchi & Saatchi strides north

THE OPERATIONS outside London of **Saatchi and Saatchi** *Company are to be more than* doubled by the acquisition of Halls Advertising, described as Scotland's largest advertising agency, in a deal that could be worth £1m.

Announcing this move Mr. Kenneth Gill, the chairman of Saatchi, also reports a 32 per cent leap in the group's taxable earnings from £571,000 to £755,000 for he half-year to March 31, 1978.

Halls had profit of £161,000 on £4.2m turnover in 1977 and anticipates billings to reach £6m and profit climbing to £285,000 in 1978. Saatchi's main agency, Saatchi and Saatchi Garland-Compton, will make an initial payment of £0.25m on completion of the acquisition and further instalments of £0.25m and £0.5m in 1979 and 1980 conditional on the Scottish agency attaining its profit forecasts. At the end of December Halls net tangible assets amounted to £106,000.

With stated earnings per 10p share better at 9p (6.8p) the directors have decided to take full advantage of the two-year freedom from dividend restraint resulting from reconstruction of the group in December, and to lift the net interim dividend by 0.7p to 2p. Also a one-for-three scrip issue is planned. The new shares will rank with existing shares for the current year's final which last time was 2.1326p paid from record profit of £1.18m.

	Half-year 1977-78 £000	1976-77 £000
Turnover	24,608	19,887
Profit before tax	755	571
Tax	438	331
Net profit	317	240
Minorities	63	*48
Attributable	254	*192
Interim dividend	76	*56
Retained	178	*138

* Adjusted for the corporate reconstruction of December 9, 1977.

Mr. Gill says that for the full year management figures indicate that turnover, which in the first half was 25 per cent ahead at £24.61m (£19.69m), will pass the £50m mark and he expects the present rate of growth in profits margins and dividends to be sustained. The operating margin in the first six months improved to 3 per cent (2.9 per cent).

SHARE STAKES

"W" Ribbons Holdings: BSG International acquired a further 40,000 shares on June 12 and now holds 340,000 shares (6.28 per cent).

Bank of Scotland: Kuwait Investment Office has acquired interest in further 25,000 shares making total 1,940,000 shares (6.015 per cent).

Greenfield Milletts: Following directors sold preference shares on June 12 as under: Mr. R. I. Greenfield 1,157, Mr. D. B. Greenfield 95,085, Mr. J. Greenfield 71,202, Mr. P. W. Monaghan 1,285 and Mr. G. M. Lewis 17,108.

Debenhams: Mr. E. E. Crabtree, director, bought 5,000 shares at 88p on June 13. Sir Anthony Burney bought 5,000 shares at 94p on May 23.

Chubb and Son: Kuwait Investment Office sold on June 1 25,000 shares leaving interest at 4,450,000 shares.

Capper hits confident keynote

THE CURRENT year at **Capper-Neill** has started fully up to expectations and the directors continue to view the future with confidence, says Mr. William P. Capper, chairman.

The order book is at a record level and is continuing to provide a very substantial workload, he adds.

Members are told that future plans remain basically the same; strong continued expansion overseas, in many cases on a permanent basis, while maintaining the steady growth of middle range companies and where suitable opportunities arise acquiring companies with complementary trading activities that are capable of expansion.

Taxable profits for the year to March 31, 1978, reported June 2, advanced from £4.2m to £5.23m on turnover up from £50.52m to £69.13m.

During the year the group invested over £5m in its overseas and UK operations. The majority of this was used to buy buildings, plant and equipment for Capper-Neill International's projects.

Export turnover at £23.8m was 75 per cent up on the previous year and now represents 34 per cent of total turnover.

After adjusting for depreciation £343,357 (£240,826), cost of sales £434,572 (£319,830), interest payable £293,444 (£69,331) and net monetary assets £358,021 (£648,886), pre-tax profits on a current cost basis are shown at £4.09m (£2.99m).

R. Paterson doubles to £1m

DESPITE HIGHER advertising expenditure in the second half more than doubled pre-tax earnings of £1,021,000, against £458,000, was attained by **R. Paterson and Sons**, the coffee and chicory essence and food products group, for the year to March 25, 1978.

At halfway, when the surplus was up from a depressed £69,000 to more than the previous year's total at £584,000, the directors said that the volatile nature of the coffee market and its effect on retail prices made it difficult to forecast but they were confident for the second six months.

Although there are still uncertainties in forecasting the Board remains reasonably confident for a satisfactory result in the current year.

Sales for 1977-78 were higher at £16.57m (£13.69m) and profit for the year was after providing for losses and terminal costs at the now closed Danish subsidiary of £122,000 (£73,000) and interest of £239,000 (£220,000).

Tax took £566,000 (£217,000) leaving earnings per 25p share better at 6.54p (3.46p). A net final dividend of 1.51p lifts the total to 2.5475p (2.2825p).

G. R. Dawes to make 25p distribution

G. R. Dawes Holdings (in member's voluntary liquidation) proposes, on October 7 to make a third distribution of 25p per ordinary share.

Together with two earlier distributions totalling £1.35 per per share, this will bring the distributions so far made to a total of £1.60.

The distribution of 25p represents the release of the retention of 15p which, at the time of the second distribution, the liquidator found necessary to make in connection with a contingent creditor's claim together with a further 10p by which he is bringing forward the distribution he had hoped to make about October, 1978.

Nationwide Leisure

Shares of **Nationwide Leisure**, suspended in November 1964, joined those stocks being unofficially traded in the stock market, under Rule 163 (2).

Stockjobbers, S. Jenkins and Son said the shares were dealt yesterday at a price of around 6p under the rule which provides for dealings in unquoted stocks.

They note that the rule provides Nationwide shareholders with an avenue to deal in their shares pending an official relisting which they hope will be obtained within the next 12 months.

Last year, Nationwide defeated a £6m takeover bid by British Car Auctions. The company recently reported that pre-tax profits for the year to October 31, 1977 fell from £241,177 to £173,754 on turnover of £2.7m.

Milford Docks starting to look better already

The spending of more than £96,000 on repairs and maintenance by **Milford Docks Company** during 1977 helped the development of new business which, with its existing business has already produced what appears to be satisfactory results in the first quarter of the current year, says Mr. C. A. V. Smith, the chairman.

The directors therefore believe that the new business generated coupled with fundamental changes in policy in connection with the dry dock subsidiary will enable the group to continue profitably, he tells members.

A number of spheres in which diversification seemed possible have been examined by the company and negotiations are continuing with a European organisation operating a fishing fleet and other related activities.

The parent company expanded its operating revenue to £514,113 (£317,835) in 1977 but the subsidiaries' contribution to turnover was down from £911,628 to £687,575 and, as reported on May 23, group pre-tax profit slumped from £186,002 to £14,777. The net dividend is held at 2.68p.

Last year the burgeoning cargo traffic and fishing activities gave rise to increased use of old plant and equipment, and the cost of maintenance, works expenses and other repairs, including problems with the slipway, added over £50,000 to operating costs. In addition the benefit of the Regional Employment Premium worth £18,351 in 1976, was rescinded.

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Investment Trust Review

Published by The Association of Investment Trust Companies

The opinions expressed by contributors to this Review are their own and should not be assumed necessarily to reflect those of the Association

A new hand is dealt

by N. O. Taube

Senior Partner, Kitcat & Aitken

Two dates and the names of two saints (or at least the names of the men who were named after the saints) should be engraved on the hearts of every investment trust investor or manager.

The dates are 6th April 1965 and 11th April 1978 and the saints are St. James and St. Denis.

Until 6th April 1965 holders of investment trust companies' shares enjoyed privileges, or at least did not suffer disadvantages, as compared with those investing directly in the underlying securities. That day Mr. Callaghan in his first budget effectively abolished double tax relief, introduced the Corporation Tax, long term Capital Gains Tax at 30% and the 25% surrender rule on sales of hard currency securities.

On 11th April 1978 Mr. Healey reduced the tax on capital gains paid by investment trusts to 10% from the level of 17% to which it had been previously reduced from Mr. Callaghan's original 30%, and, from 31st December 1977 the 25% surrender rule was also abolished. The abolition of this particularly restrictive impost was quadruply welcome as, in Mr. Heath's immortal phrase, at a stroke it made switching of currency securities a practical possibility once again, it revitalised and extended the market in investment currency, it directly benefited asset values and, most important of all, it radically reduced the "necessity", that is to say the theoretically advantageous but widely disastrous practice, of direct borrowing of foreign currencies. Anyone who remembers borrowing Swiss francs cheaply with a view to investing in dollar denominated securities will remember that particular heffalump trap.

Encouraging Conclusions

Perhaps we could draw further conclusions from the fact that the discovery of the bones of St. James was followed by the liberation of Spain or draw encouragement from the fact that St. Denis, after he was beheaded, picked up his head and walked away.

What is, I think, indisputable and can be proved from the figures shown in my table is that investment trusts as a whole did a good deal better between 31st December 1952 and 31st December 1964 than between 1st January 1965 and 31st December 1977. By saying better I mean not only in absolute terms, which is indisputable, but also in relative terms.

What I have attempted to do is to pick companies of reasonable size with unchanged 31st December year ends and which have been involved in a minimum amount of merger activity. I then further concentrated on companies which had a fair proportion of their investments in international markets (which in the 1950s was certainly a hallmark of alert and intelligent management) and, taking the resulting four companies (two Scottish and two from London), constructed price and asset value year end indices. I then compared the growth of asset values with the Financial Times Ordinary Share Index (the F.T.-A. All-Share Index did not exist then) and the Dow Jones industrial index weighted by the exchange rate and the dollar premium.

Before going any further the reservation must be expressed that effective gearing in 1952 was greater than it is today. The explanation for this is clear. First, there was a positive yield gap in the U.K. market and second there was the incidence of double tax relief. It was possible in the 1950s to invest in a variety of American securities on an effective yield basis of 8% or 9% and to look forward to a steady growth of income and capital values, while at the same time borrowing money at 5% or 6%. This policy was highly beneficial but came to an end with the abolition of double tax relief and the coincidental rise in interest rates.

Clearly the 1950s and early 1960s were golden years, nostalgically remembered by many participants in the investment trust world. Both the British and American markets had prodigious rises and, as seen in my table, in the period between 1952 and 1964 both the Dow Jones, suitably adjusted, and the Financial Times Ordinary Share Index trebled.

Overseas Exposure

What is more, British investment trusts managed, by concentrating on the less well-recognised growth stocks both in America and Britain, which in the early period were obtainable at low price/earnings multiples and on reasonable yield bases, to benefit from the subsequent recognition of the value of these stocks to a much greater extent than did investors in the leading companies represented by the Dow Jones and Financial Times indices. In addition judicious switching between American utilities, in a manner not unlike that adopted by institutional investors in the gilt-edged market today, helped to enhance both yields and capital values. Altogether it is not surprising that the average asset value of the companies I examined quintupled in the period 1952 to 1964, thus outperforming the two major indices by a compound factor of just over 4% per annum.

The more adventurous amongst investment trust managers started to take an interest in Japan and Europe towards the latter part of this period, but the main involvement outside the traditional areas of the United States, Canada and Britain, and to a smaller extent, Australia and South Africa, did not take place until after 1965. Currently the movement's overseas exposure averages over 40%.

By contrast the period since 1965 has been much less fruitful. The averages rose by 43½% in the U.K. between December 1964 and December 1977 and by 69%, using the same form of adjustment, in the U.S. In the latter instance, all the rise was accounted for by the decline in sterling and the increase in the dollar premium. The Dow Jones average was actually marginally lower at the end of 1977 than it was 13 years earlier. There were hair-raising fluctuations between those two dates and it is a great tribute to the managers that, despite the difficulties which the Capital Gains Tax and premium surrender rule presented, the average asset value of the sample doubled, i.e. still continued to outperform the indices by a margin of just over 2% per annum as against the weighted Dow Jones Industrial and a margin of nearly 3½% as against the F.T. Industrial Ordinary Index —with a reverse yield gap to contend with too.

The question now arises whether the major opportunity presented by the reduction in the tax on capital gains to 10% and the abolition of the dollar premium surrender will allow a return to the previous pattern of performance.

As far as the prices of the shares of investment trusts are concerned the general decline in discounts on asset values which took place between 1952 and the late 1960s (when quite a few of them stood at a premium to asset values) was swiftly reversed in the last few years. It would not be illogical to see a reflection of a better performance in the narrowing of discounts and their possible elimination. It is also interesting to reflect that, in the kind of circumstances ruling during much of 1977 when discounts on investment trust shares were historically high but stocks in general were at humdrum levels but tended to be in short supply, the rights-issue-cum-mass-investment type of takeover of investment trust shares could again become fashionable, as evidenced by the recently announced bid for the share capital of The Investment Trust Corporation Limited.

Easing Oversupply

The hope of a return to the pattern of the earlier years should encourage investors back into the investment trust market. It is also possible to argue that the change in this year's budget which, from the beginning of the 1979/80 tax year, will raise the maximum Capital Gains Tax suffered by private investors on sales of investment trust shares from 13% to 20%, should lessen the present experience of investment trust shares being the first target for any private investor wishing to raise money from his list. This factor should help to reduce the persistent oversupply of stock seen in the market during the last few years.

	31.12.1952	31.12.1964	31.12.1977
TRUST A Performance			
—Price	100	442	889
—N.A.V.	100	428	856
(Discount) %	(24.4)	(21.9)	(21.5)
TRUST B Performance			
—Price	100	498	1,163
—N.A.V.	100	436	1,117
(Discount) %	(27.6)	(17.2)	(24.6)
TRUST C Performance			
—Price	100	644	1,300
—N.A.V.	100	590	1,354
(Discount) %	(18.2)	(10.8)	(21.5)
TRUST D Performance			
—Price	100	496	976
—N.A.V.	100	516	1,035
(Discount) %	(19.8)	(22.9)	(24.4)
AVERAGE OF THE FOUR TRUSTS			
—Price Performance	100	520	1,082
—N.A.V. Performance	100	492	1,090
(Discount) %	(22.5)	(18.2)	(23.0)
F.T. Ind. Ordy.			
—Actual	115.9	338.8	485.4
—1952 = 100	100	292	419
Dow Jones Industrial			
—Actual	283.66	875.40	831.17
—1952 = 100*	100	316	534

* Adjusted for exchange rate and premium.

Net Asset Values

The information in the columns below is supplied by the companies named, which are members of The Association of Investment Trust Companies. The figures, which are in pence except where otherwise stated, are unaudited.

Total Assets less current liabilities ♦(1) £million	Company (2)	Shares or Stock (3)	Date of Valuation (4)	Annual Dividend (5)	Net Asset Value after deducting prior charges: at nominal value ♦(6)	Net Asset Value after deducting prior charges: at market value ♦(7)	Investment Currency Premium (see note g) (8)
				Pence except where £ stated (see note d)			
	VALUATION MONTHLY						
157.7	Alliance Trust	Ordinary 25p	31/5/78	7.1	293.9	302.3	36.6
88.2	Anglo-American Securities Corpn.	Ordinary 25p	31/5/78	3.0	131.5	137.6	18.2
131.7	British Investment Trust	Ordinary 25p	31/5/78	4.85	198.6	202.0	25.8
27.3	Capital & National Trust	Ord. & "B" Ord. 25p	31/5/78	*4.0	170.0	172.6	18.9
10.7	Claverhouse Investment Trust	Ordinary 50p	31/5/78	3.8	106.7	108.7	0.2
10.4	Crossfriars Trust	Ordinary 25p	31/5/78	3.3	103.6	103.6	—
16.3	Dundee & London Investment Trust	Ordinary 25p	31/5/78	2.3	87.2	88.8	6.7
‡93.9	Edinburgh Investment Trust	£1 Deferred	31/5/78	6.75	286.8	302.3	24.7
45.2	First Scottish American Trust	Ordinary 25p	31/5/78	2.85	124.3	126.2	17.5
10.1	Grange Trust	Ord. Stock 25p	31/5/78	2.1	105.8	110.0	6.9
71.1	Great Northern Investment Trust	Ordinary 25p	31/5/78	3.87	138.7	141.4	10.2
64.2	Guardian Investment Trust	Ordinary 25p	31/5/78	2.9	108.5	112.5	8.6
†	Investment Trust Corporation	Ordinary 25p	31/5/78	†	†	†	†
84.4	Investors Capital Trust	Ordinary 25p	31/5/78	1.65	105.4	111.1	16.9
21.5	Jardine Japan Investment Trust	Ordinary 25p	31/5/78	0.85	192.9	192.9	54.7
38.3	London & Holyrood Trust	Ordinary 25p	31/5/78	3.6	137.0	160.7	19.6
26.4	London & Montrose Investment Tst.	Ordinary 25p	31/5/78	5.25	256.4	260.4	33.7
48.4	London & Provincial Trust	Ordinary 25p	31/5/78	3.4	150.4	153.0	19.7
108.9	Mercantile Investment Trust	Ordinary 25p	31/5/78	1.25	154.7	59.2	3.5
	Do. Do.	Conv. Debs. 1983	31/5/78	£4.50	£83.30	£88.50	£5.30
27.3	North Atlantic Securities Corpn.	Ordinary 25p	31/5/78	2.7	123.0	126.0	15.7
53.4	Northern American Trust	Ordinary 25p	31/5/78	2.85	132.1	135.3	19.1
7.4	Save & Prosper Linked Invest. Trust	Capital Shares	31/5/78	—	136.8	156.8	—
‡129.3	Scottish Investment Trust	Ord. Stock 25p	31/5/78	2.56	133.5	137.4	16.0
57.8	Scottish Northern Investment Trust	Ordinary 25p	31/5/78	3.36	134.4	142.5	12.8
107.5	Scottish United Investors	Ordinary 25p	31/5/78	1.6	99.0	102.1	19.0
51.8	Second Alliance Trust	Ordinary 25p	31/5/78	5.65	230.5	258.8	31.6
4.0	Shires Investment Co.	Ordinary 50p	31/5/78	7.56	157.8	157.8	—
42.7	Sterling Trust	Ordinary 25p	31/5/78	5.3	236.5	243.0	27.5
†	Technology Investment Trust	Ordinary 25p	31/5/78	†	†	†	†
75.4	United British Securities Trust	Ordinary 25p	31/5/78	3.973	168.1	169.4	19.3
21.7	United States & General Trust	Ordinary 25p	31/5/78	5.94	237.2	263.5	30.3
89.9	United States Debenture Corporation	Ord. Stock 25p	31/5/78	3.32	123.4	127.5	15.6
	Do. Do.	Conv. Loan 1993	31/5/78	£5.00	£135.70	£140.20	£17.20
	Baillie Gifford & Co.						
123.8	Scottish Mortgage & Trust	Ordinary 25p	31/5/78	3.3	151.4	153.8	17.6
61.3	Monks Investment Trust	Ordinary 25p	31/5/78	1.6	68.6	69.3	7.2
15.7	Winterbottom Trust	Ordinary 25p	31/5/78	4.6	270.2	283.0	35.7
	Baring Bros. & Co. Ltd.						
40.9	Outwich Investment Trust	Ordinary 25p	2/6/78	1.525	68.7	72.3	5.7
24.6	Tribune Investment Trust	Ordinary 25p	24/5/78	ac1.3	ac92.7	ac92.9	ac15.1
	East of Scotland Invest. Managers						
45.5	Aberdeen Trust	Ord. Stock 25p	31/5/78	5.05	188.8	196.3	18.2
	Edinburgh Fund Managers Ltd.						
62.7	American Trust	Ord. & "B" Ord. 25p	31/5/78	*1.35	60.3	62.3	5.9
17.1	Crescent Japan Investment Trust	Ordinary 50p	31/5/78	—	221.3	221.3	49.4
	Electra House Group						
74.2	Electra Investment Trust	Ordinary 25p	31/5/78	5.0	145.2	143.7	9.7
†	Globe Investment Trust	Ordinary 25p	31/5/78	4.1	†	†	†
	Do. Do.	Conv. Loan 1987/91	31/5/78	£5.50	†	†	†
	Do. Do.	Conv. Loan 1985/90	31/5/78	£6.25	†	†	†
35.2	Temple Bar Investment Trust	Ordinary 25p	31/5/78	4.75	115.7	118.0	3.6
	Do. Do.	Conv. Loan 1985/90	31/5/78	£5.75	£131.80	£134.40	£4.20
	Do. Do.	Conv. Loan 1987/91	31/5/78	£6.00	£99.50	£101.40	£3.10
	F. & C. Group						
†	Alliance Investment	Ordinary 25p	31/5/78	†	†	†	†
22.9	Cardinal Investment Trust	Deferred 25p	31/5/78	3.0	153.3	160.7	15.6
	Do. Do.	Conv. Loan 1985/87	31/5/78	£6.00	£125.80	£130.10	£12.60
7.2	F. & C. Eurotrust	Ordinary 25p	31/5/78	0.85	69.7	69.7	14.0
139.6	Foreign & Colonial Invest. Trust	Ordinary 25p	31/5/78	3.77	227.2	235.8	33.9
‡30.9	General Investors & Trustees	Ordinary 25p	31/5/78	4.0	146.8	151.4	13.0
	James Finlay Investment Mgmt. Ltd.						
†	Provincial Cities Trust	Ordinary 25p	31/5/78	†	†	†	†
	Gartmore Investment Ltd.						
6.7	Altifund	Income 50p	31/5/78	8.3	101.8	101.8	5.9
	Do. Do.	Capital 50p	31/5/78	0.415	268.8	268.8	5.9
25.8	Anglo-Scottish Investment Trust	Ordinary 25p	31/5/78	1.6875	61.9	64.1	5.7
27.1	English & Scottish Investors	Ord. & "B" Ord. 25p	31/5/78	2.45	98.0	104.4	6.4
7.8	Group Investors	Ordinary 25p	31/5/78	1.7	85.5	89.0	9.1
5.0	London & Gartmore Invest. Trust	Ordinary 50p	31/5/78	0.5	90.9	95.8	9.5
11.8	London & Lennox Invest. Trust	Ord. & "B" Ord. 25p	31/5/78	2.5	106.6	110.2	13.1
23.7	London & Lomond Invest. Trust	Ordinary 25p	31/5/78	2.4	104.6	107.0	8.9
10.8	London & Strathclyde Trust	Ordinary 25p	31/5/78	1.375	56.4	60.0	6.3
12.0	Meldrum Investment Trust	Ordinary 25p	31/5/78	1.85	59.4	59.4	0.3
6.5	New York & Gartmore Investment	Ordinary 25p	31/5/78	0.4	40.2	40.2	5.0
	Gartmore Investment (Scotland) Ltd.						
75.5	Scottish National Trust	Ordinary 25p	31/5/78	3.45	202.6	206.2	27.1
18.4	Glasgow Stockholders Trust	Ordinary 25p	31/5/78	2.4	140.8	144.8	19.2
	John Govett & Co. Ltd.						
85.8	Border & Southern Stockholders	Ordinary 10p	ac31/5/78	ac1.5	ac82.5	ac83.9	ac9.3
37.3	Debenture Corporation	Ordinary 25p	31/5/78	2.4	87.5	89.4	6.2
12.4	General Stockholders Invest. Trust	Ordinary 12½p	31/5/78	1.7	150.8	161.8	24.2
20.3	Govett-European Trust	Ordinary 25p	31/5/78	1.8	86.1	86.1	11.1
62.5	Lake View Investment Trust	Ordinary 25p	31/5/78	2.4	128.7	132.6	14.7
	Do. Do.	Conv. Loan 1973/98	31/5/78	£4.00	£171.60	£176.80	£19.60
‡64.4	Stockholders Investment Trust	Ordinary 25p	31/5/78	2.35	133.3	138.1	17.3
	G.T. Management Ltd.						
18.0	Berry Trust	Ordinary 25p	31/5/78	0.875	83.2	83.2	5.4
	Do. Do.	Conv. Loan 1993	31/5/78	£4.25	£120.70	£120.70	£7.90
17.7	G.T. Japan Investment Trust	Ordinary 25p	31/5/78	1.0	170.3	170.3	42.3
	Do. Do.	Conv. Loan 1987	31/5/78	£8.50	£105.60	£105.60	£26.20
7.1	Northern Securities Trust	Ordinary 25p	31/5/78	3.0	159.1	164.7	14.8
	Hambros Group						
‡25.6	Bishopsgate Trust	Ordinary 25p	31/5/78	6.25	258.6	268.0	19.5
4.1	City of Oxford Investment Trust	Ordinary 25p	31/5/78	3.3	88.7	92.1	—
‡49.5	Hambros Investment Trust	Ordinary 25p	31/5/78	3.75	135.8	145.9	13.3
‡7.1	Rosedimond Investment Trust	Capital 25p	31/5/78	—	124.0	124.0	3.8
	Henderson Administration Ltd.						
‡133.4	Witan Investment	Ord. & "B" Ord. 25p	31/5/78	*2.3	x124.2	128.9	x16.6
‡21.1	Electric & General Investment	Ordinary 25p	31/5/78	1.45	101.5	102.6	14.1
6.9	Greenfriar Investment	Ordinary 25p	31/5/78	1.45	127.4	127.4	15.4
6.8	Lowland Investment	Ordinary 25p	31/5/78	2.2	67.9	67.9	2.7
2.3	English National Investment	Prefd. Ord. 25p	31/5/78	1.83	34.2	35.3	—
	Do. Do.	Defd. Ord. 25p	31/5/78	2.42	62.0	66.4	—
	Philip Hill (Management) Ltd.						
20.6	City & International Trust	Ordinary 25p	31/5/78	4.07	130.9	135.7	9.8
11.5	General & Commercial Inv. Trust	Ordinary 25p	31/5/78	5.82	181.4	190.8	11.8
23.5	General Cons. Investment Trust	Ordinary 25p	31/5/78	3.75	110.1	112.8	7.0
131.9	Philip Hill Investment Trust	Ordinary 25p	31/5/78	7.9	238.1	242.1	8.5
5.4	Moorgate Investment Co.	Ordinary 25p	31/5/78	†	104.9	107.2	1.8
39.2	Nineteen Twenty-Eight Inv. Trust	Ordinary 25p	31/5/78	8.75	273.9	282.8	28.3
	Industrial & Comml. Finance Cpn.						
9.6	London Atlantic Investment Trust	Ordinary 25p	31/5/78	3.0	84.5	85.9	3.0
5.9	North British Canadian Investment	Ordinary 25p	31/5/78	2.7	78.7	78.7	0.8
	Ivory & Sime Ltd.						
45.7	Atlantic Assets Trust	Ordinary 25p	31/5/78	0.4	140.3	146.6	26.5
113.2	British Assets Trust	Ordinary 25p	31/5/78	2.2	96.4	102.2	15.4
41.7	Edinburgh American Assets Trust	Ordinary 25p	31/5/78	1.1	151.9	154.9	34.9
16.1	Viking Resources Trust	Ordinary 25p	31/5/78	1.1	130.8	130.8	16.3
	Keyser Ullmann Ltd.						
11.2	Throgmorton Secured Growth Tst.	£1 Capital Loan Stock	31/5/78	—	—	158.6	—
42.4	Throgmorton Trust	Ordinary 25p	31/5/78	4.375	91.2	93.0	—
	Kleinwort Benson Ltd.						
28.6	British American & General Trust	Ordinary 25p	31/5/78	1.65	55.0	56.1	3.6
†	Brunner Investment Trust	Ordinary 25p	31/5/78	†	†	†	†
†	Charter Trust & Agency	Ordinary 25p	31/5/78	†	†	†	†
43.6	English & New York Trust	Ordinary 25p	31/5/78	2.6	102.1	103.7	9.4
4.3	Family Investment Trust	Ordinary 25p	31/5/78	3.85	98.3	98.3	0.2
3.1	Jos Holdings	Ordinary 25p	31/5/78	2.04	62.8	62.8	2.3
6.5	London Prudential Invest. Trust	Ordinary 25p	31/5/78	2.85	103.5	106.2	8.0
52.2	Merchants Trust	Ordinary 25p	31/5/78	2.6	96.9	100.2	11.3
	Lazard Bros. & Co. Ltd.						
58.9	Raeburn Investment Trust	Ordinary 25p	31/5/78	3.7	173.3	179.4	22.7
42.8	Romney Trust	Ordinary 25p	31/5/78	2.65	125.2	127.5	16.7
	Martin Currie & Co., C.A.						
11.5	Canadian & Foreign Invest. Trust	Ordinary 25p	31/5/78	3.6	156.7	160.3	18.5
20.5	St. Andrew Trust	Ordinary 25p	31/5/78	4.15	163.6	168.3	19.1
101.9	Scottish Eastern Investment Trust	Ordinary 25p	31/5/78	4.05	178.8	184.9	26.6
26.2	Scottish Ontario Investment Co.	Ordinary 25p	31/5/78	4.1	181.6	184.3	27.5
57.2	Securities Trust of Scotland	Ordinary 25p	31/5/78	6.1	242.3	262.2	34.6
	Murray Johnstone Ltd.						
‡47.4	Caledonian Trust	Ord. & "B" Ord. 25p	31/5/78	*1.6	106.8	110.4	18.8
‡71.7	Clydesdale Investment Trust	Ord. & "B" Ord. 25p	31/5/78	*1.675	102.8	105.5	18.2
17.4	Glendevon Investment Trust	Ord. & "B" Ord. 25p	31/5/78	*1.65	132.7	135.4	25.5
7.0	Glenmurray Investment Trust	Ord. & "B" Ord. 25p	31/5/78	*1.7	102.3	102.3	16.5
16.2	Scottish & Continental Investment	Ordinary 25p	31/5/78	1.2	83.4	83.4	14.7
†79.9	Scottish Western Investment	Ord. & "B" Ord. 25p	31/5/78	*2.2	127.9	132.9	22.0
‡26.0	Second Great Northern Invest. Tst.	Ord. & "B" Ord. 25p	31/5/78	*1.76	116.9	120.5	21.0
	Schroder Wagg Group						
22.0	Ashdown Investment Trust	Ordinary 25p	31/5/78	4.05	188.5	195.0	22.8
	Do. Do.	Conv. Loan 1988/93	31/5/78	£4.75	£131.90	£136.50	£16.00
7.5	Australian & International Trust	Ordinary 50p	31/5/78	2.7	125.1	125.1	21.7
31.3	Broadstone Investment Trust	Ordinary 20p	31/5/78	5.15	206.7	215.9	25.6
	Do. Do.	Conv. Loan 1988/93	31/5/78	£4.50	£137.80	£144.00	£17.00
45.5	Continental & Industrial Trust	Ordinary 25p	31/5/78	5.75	257.0	267.5	22.1
51.1	Trans-Oceanic Trust	Ordinary 25p	31/5/78	5.0	238.5	244.9	30.7
	Do. Do.	Conv. Loan 1988/93	31/5/78	£4.50	£149.00	£153.10	£19.20
13.9	Westpool Investment Trust	Ordinary 25p	31/5/78	3.3	145.2	148.5	20.6
	Do. Do.	Conv. Loan 1989/94	31/5/78	£5.00	£130.70	£133.60	£18.50
	Stewart Fund Managers Ltd.						
80.2	Scottish American Investment Co.	Ordinary 50p	31/5/78	2.5	114.1	115.3	9.3
12.4	Scottish European Investment Co.	Ordinary 25p	31/5/78	1.5	54.7	54.7	4.3
	Touche Remnant & Co.						
107.5	Atlas Electric & General Trust	Ordinary 25p	31/5/78	4.9	83.6	86.5	5.6
32.0	Bankers' Investment Trust	Ordinary 25p	31/5/78	2.55	75.7	80.4	5.8
32.4	Cedar Investment Trust	Ordinary 25p	31/5/78	2.5	90.9	95.7	7.1
41.3	City of London Brewery	Deferred 25p	31/5/78	2.4	78.9	83.1	1.3
31.0	Continental Union Trust	Ordinary 25p	31/5/78	3.5	162.3	167.8	16.2
15.9	C.L.R.P. Investment Trust	Ordinary 25p	31/5/78	1.9	93.3	97.5	7.6
180.2	Industrial & General Trust	Ordinary 25p	31/5/78	1.75	72.5	74.8	8.1
40.7	International Investment Trust	Ordinary 25p	31/5/78	2.62	101.8	107.0	7.3
55.7	Sphere Investment Trust	Ordinary 25p	31/5/78	3.3	136.9	161.5	14.5
64.9	Trustees Corporation	Ordinary 25p	31/5/78	4.0	192.5	198.3	11.6
36.2	Trust Union	Ordinary 25p	31/5/78	3.4	144.4	148.6	9.0
	Williams & Glyn's Bank Ltd.						
14.2	Sizewell European Invest. Trust	Ordinary 10p	31/5/78	1.5	103.2	103.2	10.8
‡3.0	Atlanta Baltimore & Chicago	Ordinary 10p	31/5/78	0.5	69.5	69.5	6.4
4.5	West Coast & Texas Regional	Ordinary 10p	31/5/78	0.75	88.3	88.3	10.6
	VALUATION THREE-MONTHLY						
5.8	Kingside Investment Co.	Ordinary 25p	31/3/78	2.25	59.2	59.2	0.2
10.8	Safeguard Industrial Investments	Ordinary 25p	31/3/78	3.6	92.4	94.0	—
	City Financial Admin. Ltd.						
5.1	Acorn Securities	Cap. Ordinary 1p	23/5/78	—	112.0	112.0	9.5
20.1	General Funds Investment Trust	Ordinary 25p	24/5/78	4.7	227.8	232.1	16.7
	Do. Do.	Conv. Ordinary 10p	24/5/78	—	195.9	199.6	14.4
13.1	"Investing in Success"	Ordinary 25p	24/5/78	2.904	213.3	216.9	25.4
	Drayton Montagu Portfolio Managmt.						
89.3	Drayton Premier Investment	Ordinary 25p	31/5/78	6.7	268.3	278.2	31.5
	Do. Do.	Conv. Loan 1993	31/5/78	£7.50	£173.10	£179.50	£20.30
	Do. Do.	"A" Conv. Loan 1993	31/5/78	£7.50	£172.00	£179.50	£20.30
75.8	Drayton Consolidated Trust	Ordinary 25p	31/5/78	4.7	207.1	214.4	24.1
	Do. Do.	Conv. Loan 1993	31/5/78	£7.50	£165.70	£171.50	£19.50
	Do. Do.	"A" Conv. Loan 1994	31/5/78	£6.50	£168.30	£174.20	£19.60
	Do. Do.	"B" Conv. Loan 1994	31/5/78	£6.50	£171.80	£177.90	£20.00
52.7	Drayton Commercial Invest. Co.	Ordinary 25p	31/5/78	4.5	184.2	189.3	18.8
	Do. Do.	Conv. Loan 1986	31/5/78	£6.25	£147.40	£151.50	£15.10
14.6	English & International Trust	Ordinary 25p	31/5/78	5.8	124.2	130.3	14.0
	Do. Do.	Conv. Loan 1986	31/5/78	£7.00	£150.60	£157.90	£17.00
9.7	Colonial Securities Trust	Deferred 25p	31/5/78	8.1	259.8	375.0	45.1
7.9	British Industries & Gen. Inv. Tst.	Deferred 25p	31/5/78	3.4	152.0	155.8	20.7
	Do. Do.	Conv. Loan 1994	31/5/78	£6.50	£168.90	£173.10	£23.00
6.0	Drayton Far Eastern Trust	Ordinary 25p	31/5/78	0.9	49.8	49.8	10.5
3.0	City & Foreign Investment Co.	Ordinary 25p	31/5/78	—	75.6	75.6	22.3
6.4	Montagu Boston Investment Trust	Ordinary 10p	31/5/78	0.875	63.6	63.6	9.7
	East of Scotland Invest. Managers						
†	Dominion & General Trust	Ordinary 25p	31/5/78	†	†	†	†
280.5	Pentland Investment Trust	Ordinary 25p	31/5/78	4.05	162.5	167.0	21.3

♦ The net asset values in the above table take account of the reduction in the rate of tax on realised chargeable gains from 17% to 10% as proposed in the Budget on 11 April 1978. * Applies to Ordinary/"A" Ordinary only. § Includes special dividend. ac Adjusted for scrip issue. ar Adjusted for rights issue. † Company will announce year-end or interim results shortly. ‡ See note (h) below. ф Not directly comparable with previous published figure. B Dependent on "B" share conversions. ‡ Change in the prior charges since the previous published figure.

Notes:—

(a) Cols. 1, 6, 7 Quoted investments are valued at mid-market prices: unquoted at directors' valuation: both include 100 per cent. of any investment currency premium after taking into account the premium on any surplus or on any shortfall of foreign currency assets against foreign currency loans.

(b) Cols. 1, 6, 7 All revenue account items are excluded.

(c) Cols. 1, 6, 7 No account has been taken of any liability in respect of taxable gains which might arise on future disposal of investments.

(d) Cols. 5-8 Amounts are per share/stock unit or per £100 Convertible Loan Stock. Column 5 precisely stated: columns 6-8 to nearest one-tenth of a penny per share and 10p per £100 Convertible Loan Stock.

(e) Col. 5 Dividend is the last declared annual dividend or firm forecast, excluding imputation credit. Interest on loan stocks is stated gross of income tax.

(f) Cols. 6-7 Prior charges are deemed to include preference share capital.

(g) Col. 8 The amount per share/stock unit represented by 100 per cent. of the investment currency premium applied in calculating the valuation for Cols. 1, 6 and 7.

(h) Cols. 6-8 Convertible loan/preference stocks are treated in the way which produces the lower n.a.v. per share. Convertible stocks are treated as fully converted at the rate for the next conversion date, or where a figure is marked "x" as prior charges; warrants or subscription rights are treated as unexercised.

THE INVESTMENT TRUST YEAR BOOK 1978, which is the first edition of the official Year Book of the Association, is published this week by Fundex Limited, and will cost £7.85 (inc. p. and p. in the U.K.)

AITC

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Zombanakis quits First Boston

By Mary Campbell and Nicholas Colchester

Mr. Minos Zombanakis has resigned from his position as head of the international operations of First Boston, the U.S. investment bank. Following his resignation, which takes effect from June 30, he will become chairman of INA International Holdings and chairman and chief executive of Blyth Eastman Dillon International.

Mr. Bruce Schaefer, a vice president of INA, the major U.S. insurance company, said yesterday that the appointment of Mr. Zombanakis was "a milestone in the development of our international investment banking operation." Blyth Eastman Dillon, which is currently 60 per cent owned by INA, would increase the capital of its London-based international investment banking operaiton, he added.

No replacement has yet been decided for Mr. Zombanakis in his position as chairman of First Boston International. The running of First Boston (Europe) will continue in the sands of Mr. Michael Hamilton, who has been in day-to-day control for some time while, Mr. Jack Hennessy, who works in the New York head office of First Boston, will take overall responsibility for international operations.

As a result of the changes, more attention will be paid by First Boston internationally to project and to the mergers and acquisitions business' the company said yesterday. The internation operations of First Boston contributed some 15-20 per cent of the revenues of the First Boston group, he added.

In the first quarter of this year, First Boston Corporation recorded a loss of $685,086, following profits of $3.3bn in 1977 and a record $18m in 1976. It is understood that, helped by the upturn in Wall Street and some notable business in the mergers and acquisitions field in the U.S., First Boston Corporation has been operating profitably since then.

"My move has been motivated by the recognition that INA and Blyth Eastman Dillon together possess the elements to emerge internationally into a leading financial institution which will provide universal financial services for clients, including co-operations, governments and international entities," Mr. Zombanakis commented yesterday.

Northwest Airlines pilots strike enters eighth week

BY JOHN WYLES

NEW YORK, June 15.

IN THE midst of a traffic boom which augurs well for U.S. airline profits, one of the industry's most successful companies, Northwest Airlines, remains grounded by a pilots' strike which moves into its eighth week on Sunday.

The strike is a further reflection of the extremely testy relationship between the airline and its pilots, who have staged three similar stoppages since 1971. Both sides to the dispute are being subsidised by their counterparts within the industry. Under a mutual aid pact, the airline is receiving more than $1.25m a day from other airlines, while the pilots are receiving substantial financial help from colleagues elsewhere.

Perbaps as a result, Northwest has had no direct contact with its pilots since the middle of May, and despite Federal mediation, there are no signs of an early settlement. Northwest, which has reported profits consistently for the past 26 years, is a byword within the industry for its tight control of costs and successful developments of a route structure where its most direct competitor is the industry giant, United Airlines.

The Airline Pilots Association claims that its members flying Northwest's 110 aircraft work more hours than on any other trunk airline. The company has refused to reduce the maximum workday from 14 to 13½ hours, and claims that the maximum 75 hours worked by its pilots each month is not excessive. It insists that before further negotiations can make any headway, the pilots must drop demands for more generous free transport for themselves and their families and for an alleged "featherbedding" rule which would mean the employment of more pilots on long haul routes.

The dispute graphically illustrates the protracted bargaining process which is a feature of airline industrial relations. Preliminary discussions started in the Spring of 1977—and under National Railway Labour Act procedures the dispute has been through various stages, including a 30-day cooling off period before the strike began. The airline has turned down proposals for binding arbitration, and has shown no inclination to follow some of its competitors in agreeing an expedited bargaining process with the union.

The stoppage has had a drmatic impact on United Airline's traffic. Its revenue passenger miles rose 24.8 per cent last month compared with May of last year. In the same month, all U.S. domestic and international airline traffic leaped 18.8 per cent, reflecting the extaordinary increase in passenger demand which has been one of the notable features of this year.

Petro-Can lifts bid for Husky

By Robert Gibbens

MONTREAL, June 15.

THE CANADIAN National Oil company Petro-Canada (Petro-Can) has come back with an improved offer for all the shares of U.S. controlled Husky Oil of Calgary. Petro-Can now offers C$52 per share for all 11m Husky shares outstanding, worth around C$550m (U.S.$491m) against its previous offer last Monday of C$45 a share. The previous offer was rejected by Husky management and a rival bid by Occidental Petroleum Corporation of Los Angeles, a share exchange worth U.S.$44.70 or U.S.$491.7m overall, was accepted. Petro-Can says all necessary documentation for its new offer is being prepared and the circular will be mailed to Husky shareholders after Petro-Can complies with regulatory rules. There was no immediate reaction from the Occidental side.

Trading in Husky shares remained halted in Canada yesterday, pending a further statement. Stock market sources in Calgary took the view that Petro-Can would now find itself alone in the bid battle against Occidental, with Alberta Gas Trunk Line and Pan Canadian Petroleum, who have both indicated interest in Husky in recent days, withdrawing from the field.

Later, Occidental Petroleum increased its offer for a minimum of 80 per cent of the Husky Oil shares. The value of the new package, it said in Los Angeles, will be increased by 8 per cent from the original U.S.$44.70, while in other respects the bid remains the same. This would bring the per share value of the package of Occidental Preferred shares to around U.S.$48.

Hardee's files suit against IC

BY OUR FINANCIAL STAFF

HARDEE'S Food Systems has filed suit in the U.S. District Court for the Eastern District of North Carolina seeking an injunction against IC Industries, its subsidiaries Centigon and Iconic, and IC's proposed public relations agency Georgeson and Co.

IC Industries, a railroad holding company with ambitions to diversify, recently launched a $389m merger bid for Pet Incorporated, a diversified food processor. In March, Pet had agreed to acquire Hardee's for just over $94m. IC has said that its approach to Pet is conditional on this merger being abandoned.

The day following the unsolicited approach from IC, Pet and Hardee's filed proxy material with the SEC concerning their merger plans. IC made it clear that it intends to vote any shares it acquires in Pet against the merger proposal with Hardee's.

Earlier this week, Pet filed suit against IC alleging violations of Delaware corporate law relating to required notice of tenders. Today's suit from Hardee's alleges violation of proxy regulations and unlawful interference with the merger contract between Pet and Hardee's, and seeks an injunction to prevent such interference.

Kaiser Aluminium sees higher profits

NEW YORK, June 15.

KAISER ALUMINIUM and Chemical Corporation expects continued strong aluminium demand for the balance of the year, higher overall profits for 1978, and sees further price increases on fabricated products before the year-end, according to Mr. Cornell C. Maier, the president.

Mr. Maier said the company will have higher 1978 second quarter aluminium shipments and that year shipments will exceed the 6.67m tons of 1978. As a result, second quarter earnings should exceed the $2.01 a share earned in 1977 and year earnings should be more than $6 a share, against $5.53 for 1977.

Kaiser, the third largest U.S. aluminium producer, has already a 1978 first quarter net of $1.20 a share, compared with $1.18 in 1977.

Mr. William Hobbs, vice-president and treasurer, said that based on April and May figures, Kaiser would probably record a slight currency translation gain compared with a loss of $6.1m, or 31 cents a share in the 1978 first quarter.

Mr. Maier believed there would be additional price increases on most fabricated product lines before the year-end. Although he would not estimate the size, he did say the increases would probably be smaller than those made earlier this year.

Earlier this week the company said it would raise prices on flat rolled automotive bumper stock by 4 to 6 cents a pound and prices on auto body stock by 12 to 13 cents, effective July 1.

The company also raised its aluminium ingot price by 4 cents a pound to 57 cents, effective June 1. Kaiser's other competitors, however, have not raised their ingot prices.

Mr. Maier said he believes Kaiser's price increase is justified and he is willing to hold ingot prices at that level "as long as the market stays strong."

Reuter

Atlantic City casino suit

NEW YORK, June 15.

THE Atlantic City investment group, Regency Hotel Corporation, claims that it paid almost $1.5m in security deposits to lease the Howard Johnson Regency Hotel in the city from its owner, Jemm Company. It was announced yesterday that one of the largest gambling concerns in the U.S., Caesar's World, which operates the Caesar's Palace casino in Las Vegas, had taken a long term lease on the hotel, with a purchase option.

Regency Hotel is suing Jemm for reinstatement of its lease. A New Jersey court last week *denied a motion for a preliminary* injunction seeking to block the execution of the lease with Caesar's.

The investment group also claims that it spent more than $800,000 in planning a casino project for the hotel. When it encountered problems in raising all the financing for the deal, Jemm terminated the lease and ordered the group off the hotel premises, it says.

Agencies

Third quarter rise at Dana

NEW YORK, June 15.

NET income of the U.S. automotive components manufacturer Dana Corporation for the third quarter ended May 31 rose from $30.6m or $1.03 a share to $39m or $1.22 a share. Sales rose from $497m to $612m.

For the nine months, net income increased from $78.6m or $2.65 a share to $98.2m or $3.09 a share. Sales for the period were $1.66bn, against $1.32bn.

The quarterly dividend has been increased from 32 cents a share to 33 cents, payable on September 15 to shareholders of record on August 29.

Meanwhile, American Medical International's net income for the third quarter ended May 31 moved ahead from $3.5m or 56 cents a share to $5m or 74 cents a share, on sales higher at $109.8m against $90m. This result lifted nine months net income from $9.5m or $1.52 a share to $13.6m or $2.04 a share. Sales for the period advanced from $253.2m to $310.7m.

Scott Foresman and Co., the textbooks concern, reported an increase in per share earnings for the year ended April 30, from $3.01 to $3.99, while the linen, chemicals and lighting company National Service Industries reported a modest increase in earnings for the third quarter to May 31, with earnings per share up from 50 cents to 62 cents.

Agencies

EUROBONDS

Baker issue increased

By Our Financial Staff

IN another dull day in the Eurobond market, the main development was the pricing of the Baker convertible.

It was increased from the $30m originally scheduled to $40m, while the conversion premium was set rather higher than in originally indicated due to very large subscriptions.

The stock market quotation for the company has reached $29 (it was $28¼ when the issue was originally announced) and the conversion price was set at $34 for a conversion premium of 17.24 per cent. When the issue *was originally announced it had* been indicated at between 10 and 15 per cent.

Another major feature was a very sharp rise in the prices of Japanese convertibles in the D-Mark sector stemming largely from the upsurge in the yen against the D-Mark. Price rises of between 3 and 4 points were recorded, dealers said.

Agnelli family in $80m. deal

BY PAUL BETTS

ROME, June 15.

THE AGNELLI family financial holding company, IFI, has successfully taken control of Moog Automotive of the U.S. in a deal worth $80m.

IFI, which has made the purchase through its subsidiary IFI-International, owns the single biggest holding in the Turin-based Fiat company, Italy's largest private company.

The financial holding company said in Turin today that the takeover of one of the leading U.S. manufacturers and suppliers of spare parts for steering and suspension systems involved a direct IFI investment of $37.5m (of which some $20.5m was in cash) plus a bank loan and note issue guaranteed by IFI to cover the balance of the purchase price.

The company described the deal as a "purely financial investment" and said it was in no way connected with the activities of the Fiat group.

John Wyles writes from New York: *Moog Automotive* is a private family company founded in 1919 by the father and uncle of the present chairman, Mr. Hubert C. Moog. The company employs about 1,800 people in North America, the bulk of them at its St. Louis plant. It has a small assembly facility in Toronto and at a wire manufacturing subsidiary at Mayville, Missouri.

The company's main products are replacement parts for vehicle front suspensions and it supplies warehouses, mass merchandisers and rubber companies.

ENI expects to spend over $1.8bn during current year

BY OUR OWN CORRESPONDENT

ROME, June 15.

Ente Nazionale Idrocarburi, the Italian state hydrocarbons agency, is to invest some L1,580bn (just over $1.8bn) this year, Sig. Pietro Sette, the chairman of the oil group, told a special economic parliamentary commission to-day.

ENI also plans to double its fixed assets, now amounting to more than L10,000bn, by 1982.

Sig. Sette said the main aim of ENI's development programme was to increase the internationalisation of the group. In particular, the group has to purchase raw material abroad at the best possible terms, secure fresh funds and new technologies on the world market, and expand its export performance.

The ENI chairman has just returned from a visit to the Soviet Union, together with the Italian minister of state participations and other leading state sector managers to promote Italian exports.

The largest share of the group's new investments is to be allocated to the energy sector. These are expected to total about L825bn this year and may represent as much as 88 per cent of ENI's overall investments during the next five years.

ENI also proposes to invest some L200bn in its chemical activities in 1978 concentrated in its financially troubled ANIC subsidiary, which lost L189bn last year.

Sig. Sette also referred to the major role of the projected trans-Mediterranean pipeline to supply Italy with some 12bn cubic metres of Algerian natural gas a year. The total investment of the ambitious project amounted to L3,600bn, Sig. Sette said.

* * *

Italy's largest bank, the state-owned Banca Nazionale del Lavoro said that business confidence in the Italian economy is definitely on the rise, both at home and abroad.

"In spite of the government inaction in overhauling the budget—or maybe, as some sceptical observers note, thanks to it—the impression is gaining currency in Italy that a business recovery is already under way," the bank's monthly bulletin said.

AP-DJ

Support for Babcock Spain

BY ROBERT GRAHAM

MADRID, June 15.

AGREEMENT in principle has been reached on a rescue package to aid Babcock Wilcox Espanola, Spain's largest producer of capital equipment. The company has been in serious financial difficulties for almost a year: the solution involves the injection of Pta 5bn ($62m) and a one fifth cut in the 5,000 strong workforce.

This avoids breaking up the company and hiving off loss-making operations to the state holding company INI or closing them down. It also avoids the nationalisation of a "lame duck"—something which the Ministry of Industry has strongly resisted. Nevertheless the government is expected to pro*vide at least half of the cash* injection, the remainder coming from existing shareholders who are mainly banks and savings banks.

According to Ministry of Industry officials the plan to restructure the company has been agreed by all parties involved including the works council, although there are still apparently differences of approach among the two main trades unions.

Another important element in the restructuring agreement is for a major roll over of debt with perhaps some write-offs and a moratorium on others. In February Babcock was granted a temporary suspension of payments by a Bilbao court. At the time the company said it had debts of *Pta 15.9bn ($194m)* and assets of Pta 24.3bn ($296m).

There are believed to be over 4,000 creditors who include Spain's main banks, the Ministry of Finance and the state social security system. The company also is in default on at least one international loan.

Our financial staff write: at this stage it is not clear whether Babcock and Wilcox of the UK will be taking part in the rescue operation. The company has a 10 per cent interest in the Spanish group but this was written-off in the UK company's accounts for the year ended last January. According to a spokesman last night, Babcock UK will not make its plans known until it has seen an official text of the rescue package.

Spanish power outlook

BY DAVID GARDNER

BARCELONA, June 15.

THE CHAIRMEN of two Catalan electricity companies have offered alternative views on whether Spain's mainly privately-owned electricity industry can cope with the present phase of expansion into nuclear power.

Sen. Pedro Duran Farell, chairman of Hidro Electrica de Catalunya (Hidrunya), expressed as his personal belief that "the nuclear option was beyond the capacity of private enterprise," calling for an urgent agreement with the Government and public sector, which measures up to the country's present and future needs.

Sen. Juan Alegre Marcet, chairman of Fuerzas Electricas de Catalunya S.A. (Fecsa) stressed that private initiative was already measuring up to the nuclear challenge, in spite of the huge investment required. He expressed his satisfaction that the National Energy Plan, shortly to go before Parliament, had given firm backing to the present structure of the electricity industry, closing the door on nationalisation.

Only 16 per cent of Spanish electricity output is controlled by INI, the state holding company, with the rest shared out among over 20 private companies. Rather than a single national grid, there are a series of regional grids, corresponding roughly to the sphere of influence of each company or group of companies. The contrast of opinions has attracted attention here in a debate which is frequently highly charged.

Spain is among the 10 largest consumers of nuclear power, a process which will accelerate with the completion of plants approved by the plan. Sen. Duran estimates the country's *uranium reserves as the equivalent* of 600bn tonnes of coal, while Sen. Alegre believes that the plan errs on the conservative side in projecting the number of nuclear plants needed for the coming period.

Secsa made a profit of 4.62bn pesetas in 1977, while Hidrunya turned in profits of 1.17bn pesetas. Both companies paid a customary dividend of 10 per cent, while agreeing on the need for prices to be adjusted to a more realistic rate.

Secsa has recently negotiated an international credit of $150m, while its annual meeting approved a capital expansion of up to 20bn pesetas. Hidrunya plans investment of around 50bn pesetas over the coming five years, mainly through yearly capital expansions.

Hapag-Lloyd earns less

By Guy Hawtin

FRANKFURT, June 15.

HAPAG-LLOYD West Germany's largest merchant shipping line, saw its net profits decline last year as a result of the industry doldrums, and holds out little hope of any improvement during 1978.

But it reports that its policy of diversification has tended to offset the impact on earnings of the poor performance in its traditional areas of operation.

Net profits for the group declined from DM 19.8m in 1976 to DM 16.2m ($7.8m), according to the annual report published today. Hapag-Lloyd's management is recommending a cut in dividend from 12 per cent or DM 6 per DM 50 share to 9 per cent.

However, shareholders paying West German taxes will in fact do rather better than in 1976 as they will receive a further DM 2.53 in the form of a tax coupon. This allows them for the first time to offset corporation tax paid o ntheir dividend against personal taxes.

Group turnover last year rose from DM 1.91bn to DM 2.19bn ($1.05bn), while the parent concern's sales advanced from DM 1.48bn to DM 1.52bn. Group pre-tax profits went up from DM 74m to DM 79m, and those of the parent advanced from DM 64.3m to DM 72.1m.

According to the Hapag-Lloyd management, the current year has brought no marked trend indicating an upturn in business.

Amax to invest $400m this year

BY PAUL LENDVAI

VIENNA, June 15.

SHARES of Amax (American Metal Climax Inc.) will be listed on the Vienna Stock Exchange. Speaking today at the introduction of the stock, Amax chairman Mr. Pierre Gousseland said his company would invest some $2bn over the next five to six years.

Starting with 1978, capital spending would extend to about $400m. This year was also expected to see earnings in advance of the $169m of 1977.

* * *

The Zurich Stock Exchange has suspended trading in Cia Italo-Argentina de Electricidad SA, of Buenos Aires, following the announcement of plans for its nationalisation by the Argentine Government.

The company has several thousand small shareholders in Switzerland, of which the largest is Motor-Columbus AG

Loan for Sacilor

The European Commission, the Common Market executive, are to lend FFr 70m (about $15m) to the Societe des Aceries et Laminoirs de Lorraine (Sacilor) to concentrate production of pig iron into fewer and more efficient plants, AP-DJ reports from Brussels.

Slow progress at Huhtamaki

By Lance Keyworth

HELSINKI, June 15.

SLACK DEMAND in food products and on the engineering side limited sales growth at Huhtamaki to 7.9 per cent in 1977. But the company is maintaining its dividend at 12 per cent.

Consolidated net sales rose to FMks 1.07bn ($249m) while exports rose by 15.7 per cent to FMks 89.7m. The pharmaceutical division maintained its leading position in the company accounting for nearly a half of total sales last year *followed by the* food division and the packaging and metal division.

In the UK, the Polarcup sales subsidiary increased it turnover by 80 per cent. The company expects to again increase its UK sales substantially in 1978. The UK is also one of the most important export markets for Huhtamaki's sanitary fittings.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Roussel-Uclaf sees further growth in sales and profit

BY DAVID CURRY

PARIS, June 15.

ROUSSEL-UCLAF, the pharmaceuticals, veterinary and perfumes group, in which Hoechst of Germany has a majority shareholding, reveals consolidated 1977 results which show a sharp advance in profits, further progress in penetrating overseas markets, and the effect of the continued policy of diversification to reduce dependence on its basic pharmaceutical activities. Further profits growth is expected this year.

As with practically every other large French group with overseas interests the bulk of the 1977 upturn came from exports and activities outside France where economic austerity, including price controls, limited growth in sales last year to 2.8 per cent. In contrast, overseas turnover rose by 11.2 per cent.

Overall, sales reached FFr 3.524bn representing a 7.8 per cent increase: on a comparable basis growth extends to 11.4 per cent.

Gross operating profit was 22 per cent higher at FFr 600m. Consolidted earnings before profit sharing and extraordinary gains were FFr 83.3m representing a 64 per cent increase and at the net level of FFr 78.2m of 1977 compared with FFr 70.1m of 1976, the two totals benefiting respectively from FFr 10.8m and FFr 26.8m of extraordinary gains.

This year the company earnings to increase by 12 per cent on a broadly similar rise in sales.

M. Henri Monod, managing director, emphasised last year's increase in research and development spending of nearly 14 per cent to FFr 274m and the effect of the group's aggressive investment policy in the shape of amortisation, up 11.7 per cent to FFr 118m.

He also stressed the continued diversification of the group noting that the basic pharmaceutical activity which had accounted for 53 per cent of sales in 1973 had shrunk to 48 per cent although still accounting for some two thirds of research costs.

Roussel - Uclaf comprises several related activities. Linked with its medical products is a division representing its diversification in the health sector including medical cosmetics, dietary products, and dressings. This group of activities scored a 27.6 per cent gain in turnover last year to reach FFr. 110m.

Five chemical products in bulk (578m) and the animal and plant health division (696m) each marked a 10.6 per cent advance. The sales of the five chemicals division however of which more than three-quarters are overseas, were depressed by the decline of the dollar relative to the franc.

Finally, Roussel - Uclaf's perfumes division, Rochas, acquired in 1975, achieved a 62 per cent increase in sales last year to FFr 236.3m. More than 80 per cent of these sales were overseas.

One of the general lines of policy is to maintain the research and development effort at around the equivalent of 8 per cent of turnover. The 1980 budget will contain a FFr 400m-plus research commitment — a 50 per cent increase in three years.

The group debt equity ratio at the end of the year is 25 per cent leaving room for external financing. The company plans to finance 50 per cent of capital needs up to 1980 out of cash flow and raise the rest roughly equally in long- and short-term borrowing.

By 1980 the group is aiming at a FFr5bn turnover leaning particularly on the agro-veterinary and perfume sectors for accelerated expansion. The group also hopes to go into the 1980s with two-thirds of its sales outside France.

The newly formed Renault de Mexico will invest 1.6bn. pesos ($72m) over the next five years. The money will be spent on expanding production at the Sahagun plant and on developing the company's sales network. Renault owns 40 per cent of the Mexican company.

Suntory boosts earnings by 11%

By Kenneth Gooding

SUNTORY, Japan's major whisky producer and probably fifth-largest drinks business in the world, saw profits after tax increase by 11.2 per cent from Y9.5bn to Y10.41bn ($47.3m) in the year to March 31.

Turnover rose from Y417.13bn to Y485.59bn ($2.2bn) and at the taxable level profits were Y32.78bn against Y28.77bn.

The group expects expansion of the whisky market in Japan to slow from 13-14 per cent to 10 per cent this year following a 24 per cent increase in the liquor tax from May 1.

Imported whiskies have not been hit so heavily by the changes and this might improve sales this year, said Mr. Keizo Saji, president of the family controlled group. Suntory is the Japanese agent for Haig, the Distillers Company brand, which last year improved its market share in a generally static market.

The economic recession had caused a cut-back in entertaining and gift-giving last year and this was a major factor in the lack of buoyancy in the imported Scotch market in Japan last year, Mr. Saji explained.

Suntory, which wants to build up its share of the Japanese beer market from the current 6.5 per cent to 10 per cent, has acquired a site for its third brewery. By the time this is ready in 1981 about $21m will have been spent.

Other diversifications are going well. Although it entered the soft drinks market only five years ago, volume of sales, at 20m cases, is the same as beer.

In the fast-food business, Suntory's "First Kitchen" hamburger chain in Tokyo now numbers five wholly owned shops and by the end of the financial year this will have doubled.

Sharp rise at Phillipp Holzmann

FRANKFURT, June 15.

PHILIPP HOLZMANN, one of West Germany's two largest construction concerns, said net profits rose sharply to DM 15.6m ($7.8m) in 1977 from DM 12.1m in 1976. In its annual report, Holzmann said parent company turnover climbed to DM1.91bn from DM1.15bn.

Holzman's world group net profits were up nearly sixfold in 1977 at DM 18.15m from DM 3.12m in 1976. Foreign turnover rose to DM 2.56bn in 1977 from DM 1.68bn in 1976, the company said.

As previously announced, new foreign orders totalled DM 1.2bn in 1977, after more than doubling to DM 3.5bn in the previous year. The company attributed the decline in foreign orders to slacker demand from oil-producing states, due largely to currency considerations.

Despite the appreciation of the Deutsche Mark, Holzmann also said it was confident of positive foreign results in 1978.

Philipp Holzmann's supervisory board has already recommended to stockholders an unchanged dividend of DM 7 per DM 50 share. Domestic shareholders will receive a higher payout due to tax credits.

AP-DJ

Creditanstalt lifts stake in Austria's biggest store

BY PAUL LENDVAI

VIENNA, June 15.

MAJOR CHANGES, involving Austrian, Swiss and German banks, have taken place with regard to the ownership of Gerngross, Austria's single largest store with an annual turnover of Sch 3.1bn (about $207m). General Shopping, a Luxembourg-based holding company, has sold its 50 per cent. holding in Gerngross for an undisclosed sum to the Creditanstalt Bankverein of Vienna and Jelmoli, a Swiss store.

As a result of the complicated transactions to be completed next week, Creditanstalt will increase its interest in Gerngross from 25 per cent to 37.5 per cent. At the same time, the rest of General Shopping's former holding. 37.5 per cent, will be acquired by Jelmoli of Zurich.

Both Jelmoli and General Shopping were, until recently, controlled by SKA (Schweizerische Kreditanstalt). However, SKA sold its holding in Jelmoli to the Union Trading Company, which is in turn controlled by the Basler Handelsgesellschaft. Jelmoli had last year a turnover of Sch 7bn., while Union Trading Company reported a worldwide saels total of Sch 10bn.

Jelmoli has already been linked with Gerngross through consulting contracts. The changes in the respective holdings do not affect the 25 per cent interest held by the Norddeutsche Landesbank.

Gerngross operates 13 stores in Austria and sales last year rose by 6 per cent. It is understood that General Shopping wants to concentrate on operations in the U.S. and this is the reason for the sale of its holding.

No details have been revealed about the price Creditanstalt and Jelmoli paid for the 50 per cent interest. A figure of Sch 400m, quoted by the Vienna popular daily "Kurier," was described by bank sources here as a purely speculative figure. The basic capital of the Gerngross Kaufhaus is Sch 170m. to which a further Sch 62m. the capital of Gerngross Grundstuecke, must be added. Thus a transaction at nominal value would already involve at least Sch 116m.

Modernisation of the Gerngross stores and investments aimed at raising the general level and quality have been predicted as a consequence of the changes. The top management post will be taken over by Mr. C. Magri, hitherto director of the Jelmoli concern in Zurich.

Trading group sees advance

By Wong Sulong

KUALA LUMPUR, June 15.

AFTER THREE years of sluggish results, Harper Gilfillan, the Malaysian-based trading and travel group, sees an improved performance ahead.

The chairman, Mr. D. M. Rown, says in his annual report that the group's results for the first four months of the current year are well ahead of the comparable period last year, and he looks forward to a progressive improvement in profitability as a result of the regrouping and consolidation of the group's structure.

Pre-tax profits last year were 6 per cent higher, at 7.25m ringgits (U.S.$3m), on a turnover of 402m ringgits. (U.S.$167m). However, a substantially lower level of taxation, and an extraordinary gain of 1.54m ringgits from the sale of one of its Hong Kong subsidiaries, W. R. Loxley, enabled the group to maintain its 15 per cent dividend rate, as well as to transfer 4m ringgits to reserves.

GREEK DEBT

Finer loan terms for return to market

BY DAVID TONGE AND FRANCIS GRILES

GREECE yesterday confirmed it could obtain fine terms for its borrowing with the signing of a $300m 10-year medium-term loan, which is being lead managed by Bankers Trust International.

The borrower, the Bank of Greece, is paying a spread over the interbank rate of ⅝ per cent for the first three years, rising to ¾ per cent for the last seven.

The Bank of Greece had not raised a loan for 18 months prior to this one.

The Bank of Greece was represented by its Governor, Professor Xenophon Zolotas, at the signing.

Part of the loan, he said, would be used for repaying one of $125m arranged over seven years by the Bank of Greece in late 1976 (for which it paid a 1½ per cent spread) and which had never been drawn. The balance is earmarked for financing the public investment budget.

Earlier this year, the IMF told the Greeks that with their "basic external deficit declining, the scope for financing the budget deficit through foreign credits would have diminished as borrowing in excess of the balance of payments need would add to reserves and, ceteris paribus, inject liquidity into the economy." Consumer prices are rising at 12-13 per cent per year.

However, a Greek official insisted that the borrowing is within the existing deficit, while Professor Zolotas stressed that Greece will be repaying $350m on previous loans maturing this year.

The placing memorandum, prepared on the basis of Bank of Greece statistics, gives Greece's medium- and long-term external debt at $4.38bn on December 31, 1977. This comprises private debt of $1.34bn, public debt of $2.4bn and suppliers' credits of $626.6m.

The suppliers' credits, which cannot be divided between public and private owing to the method in which the statistics are collected, are of over one-year's duration. Greece also has suppliers' credits of $771.8m of less than one year at that date.

The official figures may exclude some loans for the purchase of military equipment. Last year Greece paid $520m. for such equipment, some of this for cash purchases and the rest to meet earlier commitments. The figures also exclude direct investments and, more unusually, short-term capital flows in the form of deposits made by Greeks working and living abroad. At the end of last year these totalled $2.4bn, and the figure has since risen to $2.7bn.

However, the Greeks point out that even during periods when disturbed conditions such as the Cyprus war scare of 1974 had led to rapid shifts from domestic deposits into currency, no net withdrawal of foreign deposits had occurred. Most of these deposits have been withdrawn in drachmas, meaning that their flight abroad is unlikely.

The Bank of Greece records Greece's foreign debt service ratio in 1977 at 9.5, a not unusual ratio for a country in Greece's position.

FORECAST EXTERNAL PUBLIC DEBT SERVICING REQUIREMENTS

Year	Government	State entities	Bank of Greece	Other banks and IMF*	Total
1978	87.5	137.5	182.1	60.1	467.2
1979	81.8	149.8	330.6	94.3	656.5
1980	59.4	170.6	225.2	107.4	562.6
1981	25.9	145.9	159.1	90.2	421.1
1982	24.6	147.9	145.4	40.7	358.7
1983	24.4	112.0	100.0	21.1	257.5
1984	21.1	93.1	90.5	13.3	218.0
1985	17.3	65.7	36.6	9.4	129.0
1986	14.1	15.6	6.7	5.6	42.0
1987	12.8	12.5	4.6	3.3	33.2
1988	8.9	6.3	1.9	1.7	18.8
Total	377.7	1,057.0	1,282.7	447.3	3,164.7

* Including $6m loans to private companies guaranteed by the State. Figures in $m, principal and interest at end-1977.

Source: Bank of Greece

Sun Hung Kai looks overseas

By Anthony Rowley

HONG KONG, June 15.

SUN HUNG KAI Securities, one of the leading stockbroking and investment houses here, plans to internationalise its activities through the projected link-up with Compagnie Financiere de Paris et des Pays-Bas (Paribas) of Paris.

This is stated by Sun Hung Kai chairman and managing director, Mr. Fung King Hey in a circular to shareholders outlining the reasons for the SHKS board's unanimous recommendation of Paribas' offer to acquire up to 25 per cent. of the Hong Kong company.

Shareholders will be asked to approve the link-up at an extraordinary general meeting to be held here to-morrow.

Paribas recently bought around 8.4m SHKS shares in the stockmarket at HK$1.75 each and, if Sun Hung Kai shareholders approve, will subscribe for a further 15m of new shares at HK$1.85 per share. After that, Paribas will own 11.5 per cent of the enlarged capital and SHKS will receive HK$27.7m in cash. Paribas will also be granted the option to buy further new shares in SHKS between August of this year and April, 1980, to take its stake up to a maximum of 25 per cent.

The price formula will be based on the prevailing stock market price of SHKS, which is currently HK$1.80.

SOUTH AFRICAN TAKEOVERS

The securities rand route

BY RICHARD ROLFE

The securities rand market in South Africa is being used for overseas takeover bids. The amounts involved recently have been small, but larger deals may follow. The most striking of the recent deals has been the purchase by Alexander Howden, of the UK, the insurance broker with interests in banking and shipping, of the "shell" company, Wellworths Stores

SOUTH AFRICA's two-tier currency system, and the continuing gap between the official rand parity and the rate at which securities rand can be bought, have tempted several bids recently by overseas interests for locally-listed companies. The indications are that others may be in the pipeline. Though the amounts involved so far have been relatively small, the principle has become well established, and it is possible that larger interests will eventually use the securities rand route to buy South African assets at a discount.

The basis of the recent deals has been the long-standing arrangement that securities rand may only be used to buy listed securities. With the securities rand, in which there is a limited but reasonably free market standing at 73 cents (U.S.), the discount on the official parity of $1.15 is 36¼ per cent. So it is possible for the offshore entrepreneur to purchase South African assets at a substantial discount and at the same time to achieve a high income return in freely remittable rands, subject to non-resident shareholders tax of 15 per cent.

The size of the securities rand discount also means that the offshore purchaser can bid an attractive price to local interests while still acquiring assets on a favourable basis. This is in part because of the tendency of locally-listed shares to stand at a discount to net worth.

One such deal occurred last year, when the fishing group, Ovenstone Investments sold its listed construction subsidiary, Ovco, to foreign interests and subsequently bought back the operating divisions, releasing R1.5m in cash. In another, a Netherlands holding company associated with the entrepreneurs who sold control of Morgan Grampian bought a locally-quoted printing group, Hortors. Last week, a Panama-based company bought control of Empisal, a listed distributor of sewing and knitting machines.

But the most striking deal, again last week, has been the R1.11m purchase by Alexander Howden of control of the quoted company, Wellworths Stores. Wellworths has converted itself over a period into little more than a cash shell with residual interests in the distribution of textile piece goods. In the process, net worth built up to 134c in the last balance sheet.

The shares were quoted at 20c before suspension two weeks ago, but were hardly ever traded —with only 8,000 changing hands this year. Howden has acquired 69 per cent of the company from the controlling shareholders for 95c and is extending the same price to the outside shareholders, but Wellworths now stands at 115c. It has mirrored the performance of the local short-term insurer Marine and Trade, in which Howden has also acquired a stake. Wellworth's—the name of which is to be changed to Alexander Howden Group South Africa—will acquire the existing Howden interests in South Africa and provide a base for further acquisitions in the country.

Tata-Finlay ahead in new form

BY P. C. MAHANTI

CALCUTTA, June 15.

TATA-FINLAY, the tea company which has adopted the 40-60 pattern of foreign-Indian ownership under the Foreign Exchange Regulation Act, raised its pre-tax profits to Rs 188.5m ($22.4m) in the first year in its new form, from Rs 119m in the previous year. Sales rose to Rs 790m ($94m), from Rs 459m.

Tata-Finlay was re-shaped last year by the merger into it of interests of the James Finlay group of companies in India and certain interests of McLeod Russel. Half the UK shareholding of 40 per cent in the company is held by James Finlay and half by McLeod Russel.

The director say that the company owns 20,513 hectares, the largest area owned by a tea company. It has also diversified into coffee, cardamom and pepper.

Reviewing the year's activities, the chairman, Mr. B. K. Dutt, traces the satisfactory volume of profit to the sustained U.S. demand for its instant tea. It plans to increase its instant tea capacity. The company also exported bulk tea to various parts of the world with satisfactory results.

Prospects for 1978, however, are not promising, the chairman says. Weather conditions have not been as favourable as in 1977 and droughts have been experienced in many areas. There has been extensive frost damage in parts of South India. On present indications it is unlikely that last year's record harvest will be achieved, but it is still expected that the 1976 levels to be reached, says the chairman. The crop in 1976 was 512m kgs, and in 1977 it was 560m kgs.

Modest rise at James Hardie

By James Forth

SYDNEY, June 15.

James Hardie Asbestos, the major building products group, raised its earnings only 5.4 per cent, from A$15.7m to A$16.5m ($18.8m) in the year to March 31. The increase lagged well behind the growth in sales, which rose almost 24 per cent, from A$166m to A$205m ($233m).

The results were affected by the Victorian power strike late last year, a cement strike in New South Wales and a transport strike in Western Australia.

It was also affected by interest costs related to the A$19m takeover last year of CSR's asbestos cement subsidiary, Wunderlich. The interest bill rose from A$3.1m to A$6.0m.

The dividend has been held at 12.5 cents a share, with a final payment of 6.25 cents. The earnings per share dipped from 64 cents to 53 cents, reflecting the issue of additional shares.

P. T. James Hardie, Indonesia, which held the group back in 1976-77, contributed A$180,000 to the profits for the latest year.

* * *

Shares in Hitachi of Japan are to be listed on the forward market of the Paris Bourse starting June 23, according to the Paris stockbrokers' association, AP-DJ reports from Paris. The company's shares are currently listed on the exchange's cash market.

Strike cuts revenues at El Al Airlines

BY L. DANIEL

TEL AVIV, June 15.

EL AL Israel Airlines—which expects to be in deficit this year —lost some I£170m of revenue (about $10m) in April, when the company's planes were grounded for three weeks. A further estimated revenue loss of I£40m was incurred in May as passengers were afraid of a renewal of the strike.

The longer-term effects cannot yet be gauged — many group flights for June-August were arranged during the period when El Al planes were inoperative and the tour operators therefore booked with foreign airlines.

The constant reduction in air fares and the increase in charter flights, together with the constantly rising cost of local personnel, are other factors adversely affecting the company's operations.

Sahar gain

SAHAR, one of Israel's leading insurance companies has announced a rise of 32 per cent in post-tax earnings to I£11.9m ($920,000), in spite of an apparent exchange losses in London of I£27.4m., L. Daniel writes from Tel Aviv.

Pre-tax profits were up 33 per cent to I£16.1m, helped by I£19m from the restatement of quoted index-linked bonds. The company is recommending a 15 per cent. gross cash dividend, against 21 per cent in 1976, and a stock dividend of 33⅓ per cent, against 25 per cent.

Net life insurance premiums at I£52.2m, were up 47 per cent and showed a profit of I£11.3m (I£4.1m in 1976). Net premiums for general insurance at I£189.3m, although up 54 per cent, resulted in a loss of I£9.6m (I£11.2m in 1976).

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

	Bid	Offer
STRAIGHTS		
Alcan Australia 8¾pc 1989	96½	97½
AMEV 8pc 1987	96	96½
Australia 8¼pc 1992	92¾	93½
Australian M. & S. 9½pc '92	96¾	97¼
Barclays Bank 8¾pc 1992	95½	96½
Bowater 9½pc 1992	97½	98¼
Can. N. Railway 8¾pc 1986	95¼	96½
Credit National 8¾pc 1986	96	96½
Denmark 8¾pc 1984	98½	99
ECS 9pc 1993	99¼	100
ECS 8¾pc 1997	94½	95
EIB 8¾pc 1992	97½	98½
EMI 9½pc 1989	98½	99
Ericsson 8¾pc 1989	96	96½
Esso 8pc 1986 Nov.	100	100½
Gt. Lakes Paper 8¾pc 1984	97½	98
Hamersley 9¾pc 1992	99½	100¼
Hydro Quebec 9pc 1992	94¾	95½
ICI 8¾pc 1987	96½	97½
ISE Canada 9¼pc 1986	103½	104½
Macmillan Bloedel 9pc 1992	94½	95½
Massey Ferguson 9¼pc '91	98	99
Michelin 9¼pc 1988	100½	101½
Midland Int. Fin. 8¾pc '92	95	95½
National Coal Bd. 8pc 1987	93½	94½
National Wstmnstr. 9pc '86	100	100½
Natl. Wstmnstr. 9pc '86 'B'	99¾	100½
Newfoundland 9pc 1989	96½	97½
Nordic Inv. Bk. 8¾pc 1988	96½	97½
Norges Kom. Bk. 8¾pc 1992	96	96½
Norpipe 8¾pc 1989	96	96½
Norsk Hydro 8¾pc 1992	95½	96½
Oslo 9pc 1988	99½	100
Ports Autonomes 9pc 1991	98	98½
Prov. Quebec 9pc 1995	95½	94½
Prov. Saskatchwn. 8¾pc '86	98	99½
Reed International 9pc 1987	93½	94½
RHM 9pc 1992	93½	94
Selection Trust 8¾pc 1989	91	92
Skand. Enskilda 9pc 1991	97½	98½
SKF 8pc 1987	92½	93½
Sweden (K'dom) 8¾pc 1987	95	95½
United Biscuits 9pc 1989	98	98½
Volvo 8pc 1987 March	93	93½
Kockums 8pc 1983	97½	98
Michelin 8¾pc 1983	99½	100
Montreal Urban 8¾pc 1981	99	99½
New Brunswick 8pc 1984	96½	97½
New Bruns. Prov. 8¾pc '83	99½	100½
New Zealand 8¾pc 1986	96	96½
Nordic Inv. Bk. 7¾pc 1984	94½	95½
Norsk Hydro 7¾pc 1982	96	96½
Norway 7¾pc 1983	95	95½
Ontario Hydro 8pc 1987	94	94½
Singer 8¾pc 1982	100½	101
S. of Scot. Elec. 8¾pc 1981	98½	99½
Sweden (K'dom) 7¾pc 1982	96	96½
Swedish State Co. 7¾pc '82	96	96½
Telmex 9¾pc 1984	93½	99½
Tenneco 7¾pc 1987 May	92½	93
Volkswagen 7¾pc 1987	93½	94½
NOTES		
Australia 7¾pc 1984	94	94½
Bell Canada 7¾pc 1987	95½	96½
Br. Columbia Hyd. 7¾pc '85	92½	93½
Can. Pac. 8¾pc 1984	97½	98
Dow Chemical 8pc 1986	98½	99
ECS 7¾pc 1982	95½	96
ECS 8¾pc 1989	95	95½
EEC 7¾pc 1982	95½	96½
EEC 7¾pc 1984	94½	93½
Enso Gutzeit 8¾pc 1984	96½	97½
Gotaverken 7¾pc 1982	96½	97
STERLING BONDS		
Allied Breweries 10¾pc '90	88	89
Citicorp 10pc 1993	91	92
Courtaulds 9½pc 1989	89½	90½
ECS 9¾pc 1989	95	96
EIB 9¾pc 1988	94½	95½
EIB 9¾pc 1992	93	94
Finance for Ind. 9¾pc 1987	90½	91½
Finance for Ind. 10pc 1989	91½	92½
Fisons 10½pc 1987	95½	96½
Gestetner 11pc 1988	92	93
INA 10pc 1988	91	92
Rowntree 10¾pc 1988	88½	89½
Sears 10¾pc 1988	90	91
Total Oil 9¾pc 1984	91	92
DM BONDS		
Asian Dev. Bank 5¾pc 1988	96½	97½
BNDE 6¾pc 1986	96½	97½
Canada 4¾pc 1983	98	98½
Den Norske Id. Bk. 6pc '90	99½	100
Deutsche Bank 4¾pc 1983	97½	98½
ECS 5¾pc 1990	95½	96½
EIB 5¾pc 1990	95½	96
Elf Aquitaine 5¾pc 1988	95	95½
Euratom 5¾pc 1987	98	98½
Finland 5¾pc 1986	97½	98½
Forsmarks 5¾pc 1990	97½	98½
Mexico 6pc 1985	96	96½
Norcem 5¾pc 1990	100	100½
Norway 4¾pc 1983	99½	100
Norway 4¾pc 1983	97	97½
PK Banken 5¾pc 1988	96	96½
Prov. Quebec 6pc 1990	97	97½
Rautaruukki 5¾pc 1988	95	95½
Spain 6pc 1988	96	96½
Trondheim 5¾pc 1988	96½	97½
TVO Power Co. 6pc 1988	97½	98
Venezuela 6pc 1988	97½	98
World Bank 5¾pc 1990	98	98½

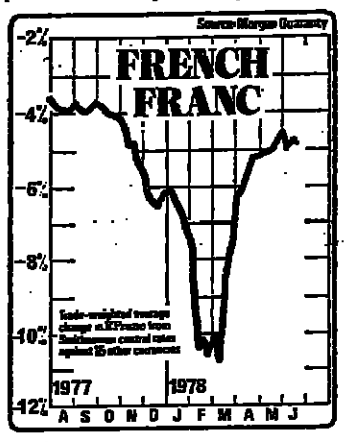
Source: White Weld Securities.

Currency, Money and Gold Markets

Dollar recovers

Recent pressure on the U.S. dollar seemed to abate slightly in London's foreign exchange market yesterday. There appeared to be a number of reasons for this, not least of all being a speech in Paris by U.S. Treasury Secretary Mr. Michael Blumenthal. He stressed that the U.S. was fully prepared to use its large resources with a view to countering disorderly market conditions. Some sources suggested that the dollar may have been oversold after Wednesday's sharp improvement in the yen.

Consequently the dollar improved at the yen's expense with



sentiment remaining nervous ahead of to-day's announcement of Japan's trade figures for May. The dollar finished at Y216.25 against Y215.25 in terms of the yen, having been as low as £215.35 at one point. Using Morgan Guaranty figures at noon in New York, the dollar's trade weighted average depreciation narrowed to 5.8 per cent from 6.0 per cent on Wednesday.

The Swiss franc fell to SwFr 1.9025 from SwFr 1.8875 while the West German D-mark also lost in dollar terms to DM 2.0950 against DM 2.0850 previously. Political uncertainty surrounding the governing coalition in Belgium saw the Belgian franc ease to BFr 32.90 from BFr 32.67 against the dollar.

This tended to underline the possibly unpleasant effect on the stability of sterling had the UK Government been defeated in Wednesday night's so-called vote of confidence in the House of Commons. However, the pound's trade-weighted index remained at 61.3. Trading was fairly active in places and sterling opened at $1.8300-1.8310 and eased on the dollar's strength to $1.8265-1.8275. UK money supply figures were considered mildly encouraging and the pound touched $1.8325-$1.8335 at one stage before easing at the close to $1.8300-1.8310, a fall of 22 points from Wednesday's close

TOKYO: The U.S. dollar finished at a record low of Y215.37½ compared with Y216.97½ on Wednesday. The Bank of Japan seemed to test the market earlier in the day by buying a small amount of the U.S. currency but quickly dropped out later in the day. The dollar opened at Y215.50 and eased to Y215.00 having seen Y216.10 at one point. The Japanese authorities seem to be going out of their way to minimise the effect that the May trade figures may have on the dollar.

BRUSSELS: The Belgian franc was at its lowest permitted level within the European currency snake against the Norwegian krona, at BFr 6.0785, following news that M. Leo Tindemans, the Prime Minister, and his coalition Government had offered to resign.

PARIS: The dollar gained ground against the French franc in nervous but relatively light trading, closing at FFr 4.5987½, compared with FFr 4.5900 in early business, and FFr 4.5850 late on Wednesday.

Sterling was the only major currency to show a significant change against the franc, rising to FFr 8.4190 from an early level of FFr 8.4010, and FFr 8.4066 late Wednesday. The D-mark closed at FFr 2.1955, compared with FFr 2.1960 in the morning, and FFr 2.1950 previously, while the Swiss franc finished at FFr 2.4185, unchanged from its early level, and FFr 2.4278½ on Wednesday.

FRANKFURT: The dollar improved to DM 2.0952 in late trading from DM 2.0902 in the morning. Expectations that U.S. Prime Rate may increase to 8¾ per cent from the present 8½ per cent today may have helped the U.S. currency. Mr. Blumenthal's remarks in Paris apparently gave rise to this speculation about U.S. interest rates. The dollar was fixed at DM 2.0936, compared with DM 2.0850 previously, in rather more active trading. The Bundesbank did not intervene. The central bank's trade-weighted D-mark revaluation index against 22 currencies was 145.6 (145.8), up 0.8 per cent from the end of 1977.

THE POUND SPOT / FORWARD AGAINST £

June 15	Bank rates %	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S. $	7	1.8265-1.8325	1.8300-1.8310	0.75-0.65c pm	4.59	1.87-1.77 c pm	4.06
Canadian $	8½	2.0475-2.0525	2.0495-2.0510	0.82-0.72c pm	4.51	2.00-1.90c pm	3.80
Guilder	4	4.08-4.12½	4.10½-4.11½	3¼-2¼ c pm	8.03	8-7 c pm	7.30
Belgian Fr.	5½	59.75-60.35	60.17-60.27	38-28 c pm	6.58	90-80 c pm	6.18
Danish Kr.	9	10.34½-10.40½	10.37½-10.38½	1-3 ore dis	-2.31	6-8 oredis	-2.70
D-Mark	3	3.81½-3.84½	3.83-3.84	3⅜-2⅜ pf pm	9.80	9-8 pf pm	8.87
Port. Esc.	18	83.25-84.25	83.60-84.10	15-165 c dis	-12.88	75-475 c dis	-16.12
Span. Pes.	8	145.25-146.25	145.55-145.75	40-120 dis	-6.59	145-215 c dis	-4.94
Lira	11½	1,570-1,580	1,575-1,576	2 lire pm-1 dis	0.38	5 lire pm-2½ dis	-0.25
Nrwgn. Kr.	7	9.88-9.92½	9.89½-9.90½	1 ore pm-1 dis	—	2 ore pm-1½ dis	0.10
French Fr.	9½	8.38½-8.43½	8.41½-8.42½	2¼-1¼ c pm	2.49	5½-2½ c pm	1.42
Swedish Kr.	7	8.45-8.49	8.46½-8.47½	2½-½ ore pm	1.77	5-3 ore pm	1.88
Yen	3½	390-400	394½-395½	5.10-2.80y pm	9.22	8.70-8.50 y pm	8.76
Austria Sch	5½	27.30-27.70	27.50-27.60	18-8 gro pm	5.66	49-39 gro pm	6.37
Swiss Fr.	1	3.45½-3.50	3.47½-3.48½	5¾-2¾ c pm	11.20	9¾-6¾ c pm	10.82

Belgian rate is for convertible francs. Financial francs 60.35-60.55.

Six-month forward dollar 3.15-3.05c pm, 12-month 5.70-5.55c pm.

THE DOLLAR SPOT / FORWARD AGAINST $

June 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Canad'n $*	89.19-89.34	89.31-89.34	0.05-0.03c dis	-0.57	0.095-0.075c dis	-0.39
Guilder	2.2400-2.2455	2.2445-2.2455	0.60-0.63c pm	3.50	2.03-1.98c pm	3.50
Belgian Fr	32.73-32.90	32.88-32.90	8.5-6.5c pm	2.79	23-19c pm	2.48
Danish Kr	5.6575-5.6710	5.6695-5.6710	—			
D-Mark	2.0895-2.0945	2.0935-2.0945	0.82-0.77pf pm	4.56	2.65-2.60pf pm	4.91
Port. Es	—	45.70-45.80	—			
Lira	859.75-860.70	860.55-860.70	2.75-3.05lire dis	-4.26	8.50-9.25lire dis	-4.08
Nrwgn. Kr	5.4060-5.4110	5.4100-5.4130	—			
French Fr	4.5900-4.5995	4.5980-4.5995	0.90-1.05c dis	-2.41	2.65-2.85c dis	-2.38
Swedish Kr	4.6260-4.6315	4.6285-4.6295	—			
Yen	215.85-216.45	216.15-216.30	0.87-0.77y pm	4.72	2.65-2.50y pm	4.85
Austria Sch	—	15.01-15.015	—			
Swiss Fr	1.8930-1.9047	1.9037-1.9047	1.10-1.06c pm	6.84	3.24-3.19c pm	6.64

* U.S. cents per Canadian $.

CURRENCY RATES

June 15	Special Drawing Rights	European Unit of Account
Sterling	0.670617	0.672029
U.S. dollar	1.22676	1.22960
Canadian dollar	1.37360	1.37878
Austrian schilling	18.4474	18.4862
Belgian franc	40.3359	40.4293
Danish krone	6.95082	6.96765
Deutsche Mark	2.56834	2.57394
Guilder	2.75224	2.75929
French franc	5.63942	5.65260
Lira	—	10.58.12
Yen	264.248	265.807
Norwegian krone	6.63677	6.65174
Peseta	97.6354	97.8206
Swedish Kroner	5.68137	5.69186
Swiss franc	2.33416	2.33898

CURRENCY MOVEMENTS

June 15	Bank of England Index	Morgan Guaranty changes %
Sterling	61.29	-41.2
U.S. dollar	88.97	-5.8
Canadian dollar	85.76	-12.2
Austrian schilling	140.65	+19.4
Belgian franc	110.68	+12.4
Danish krone	115.32	+6.2
Deutsche Mark	148.72	+35.4
Swiss franc	190.97	+74.5
Guilder	121.11	+18.6
French franc	98.57	-4.9
Lira	56.65	-45.9
Yen	137.76	+36.3

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

	£	$		£ Notes Rate
Argentina Peso	1.429-1.433	780.65-782.85	Austria	27-28¼
Australia Dollar	1.6018-1.6179	0.8753-0.8830	Belgium	59-60½
Finland Markka	7.84-7.85	4.2850-4.2880	Denmark	10.25-10.40
Brazil Cruzeiro	31.79-32.79	17.37-17.91	France	8.30-8.45
Greece Drachma	67.504-69.172	36.88-37.83	Germany	3.70-3.85
Hong Kong Dollar	8.52½-8.55½	4.6580-4.6600	Italy	1530-1590
Iran Rial	126-132	68⅞-72⅛	Japan	395-405
Kuwait Dinar (KD)	0.4994-0.509	0.2726-0.2780	Netherland	4.00-4.15
Luxembourg Franc	60.17-60.27	32.89-32.91	Norway	9.80-10.00
Malaysia Dollar	4.37-4.39	2.3885-2.3900	Portugal	77-85
New Zealand Dollar	1.7905-1.8086	0.9785-0.9875	Spain	143-146
Saudi Arabia Riyal	6.26-6.36	3.42-3.47	Switzerland	3.40-3.55
Singapore Dollar	4.26-4.28	2.3278-2.3288	United States	1.82-1.84
South African Rand	1.5786-1.6040	0.8624-0.8763	Yugoslavia	34-37

Rate given for Argentina is free rate.

EXCHANGE CROSS-RATES

June 15	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.831	3.835	395.8	8.420	3.483	4.110	1576.	2.050	60.22
U.S. Dollar	0.546	1.	2.095	216.2	4.600	1.902	2.245	860.7	1.120	32.90
Deutsche Mark	0.261	0.477	1.	103.2	2.196	0.908	1.072	410.8	0.535	15.70
Japanese Yen 1,000	2.527	4.625	9.690	1000.	21.28	8.800	10.39	3981.	5.181	152.2
French Franc 10	1.188	2.174	4.555	470.0	10.	4.136	4.881	1871.	2.435	71.52
Swiss Franc	0.287	0.526	1.101	113.6	2.418	1.	1.180	452.4	0.589	17.29
Dutch Guilder	0.243	0.445	0.933	96.29	2.049	0.847	1.	383.3	0.499	14.65
Italian Lira 1,000	0.635	1.162	2.434	251.2	5.344	2.210	2.609	1000.	1.301	38.22
Canadian Dollar	0.488	0.893	1.871	193.0	4.107	1.699	2.005	768.4	1.	29.37
Belgian Franc 100	1.661	3.040	6.368	657.2	13.98	5.783	6.825	2616.	3.405	100.

EURO-CURRENCY INTEREST RATES*

June 15	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	10-10½	7¼-8¼	7½-7¾	4⅜-4⅝	½-⅝	3⅛-3⅜	10¾-11¼	7¾-10	—	4⅛-6⅛
7 days notice	11½-12	7¼-8¼	7½-7¾	4⅜-4⅝	½-⅝	3⅛-3⅜	10¾-11¼	10½-12	7⅝-7¾	2⅜-4⅜
Month	12¾-13¾	7¾-8⅛	7⅞-8⅛	4¼-4½	1⅛-1⅜	3⅜-3½	10½-10¾	11½-12½	7⅝-7¾	3⅜-3⅝
Three months	12¼-12¾	8⅜-8⅝	8¼-8½	4½-4¾	1⅜-1½	3⅝-3⅞	10¾-11	12-13	7¾-7⅞	3⅝-3⅞
Six months	12⅛-12⅞	8½-8⅞	8¾-9	5-5¼	1¾-1⅞	3⅝-3⅞	10⅞-11⅛	13¼-14¼	8⅛-8⅜	3¾-4
One year	12½-12⅞	8¾-9⅛	8⅞-9⅛	5⅜-5⅝	2-2⅛	3⅝-3¾	11¼-11½	14-15	8⅜-8⅝	4¼-4⅝

The following nominal rates were quoted for London dollar certificates of deposit: One month 7.80-7.90 per cent; three months 8.05-8.15 per cent; six months 8.45-8.55 per cent; one year 8.70-8.80 per cent.

Long-term Eurodollar deposits: two years 9 1/16-9 5/16 per cent; three years 9¼-9½ per cent; four years 9½-9¾ per cent; five years 9½-9¾ per cent. * Rates are nominal closing rates.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

German credit policy meeting

Credit policy was left unchanged by the West German Bundesbank at a meeting of the Central Bank Council yesterday. No policy decisions were expected, despite tight conditions in the money market recently. Frankfurt money market rates were unchanged from 3.5 per cent for call money, to 3.75 per cent for six-month funds.

New York: Interest rates were generally firmer, with 13-week Treasury bills rising to 6.64 per cent from 6.62 per cent, and 26-week bills to 7.16 per cent from 7.12 per cent on Wednesday. One-year bills increased to 7.46 per cent from 7.42 per cent.

Federal funds rose to 7½ per cent bid from 7⅜ per cent.

Paris: Money market rates were firmer for the shorter periods, with call money at 7⅞ per cent, compared with 7¾ per cent previously, while one month money rose to 7⅞ per cent from 7¾ per cent, and three-month to 8⅛ per cent from 7 15/16 per cent. The six-month rate was unchanged at 8 5/16 per cent, and 12-month was also unchanged at 8½ per cent.

Amsterdam: Call money rose to 4⅞ per cent from 4⅝ per cent, while the one-month rate increased to 4½ per cent from 4⅜ per cent, and three-month money rose to 4⅝ per cent from 4½ per cent. The six-month rate was unchanged at 5⅜ per cent.

Brussels: Deposit rates for commercial francs were 3½-4½ per cent, compared with 3¾-4½ per cent for call money; 5⅝ per cent, against 5 9/16 per cent for one-month; 5¾ per cent, unchanged, for three-month; and 6⅜ per cent, unchanged, for six-month. The rate for 12-month funds rose to 7¼ per cent from 7⅛ per cent.

Tokyo: The Bank of Japan is to buy national bonds to cover a seasonal money market shortage. The central bank will buy five descriptions of national bonds, totalling Y266.70bn. from financial institutions and securities companies on June 29, at prices ranging from 107-110.45 per cent, yield 6.115-6.182 per cent. Purchase terms were decided through a tender between June 9 and June 13.

Hong Kong: Conditions in the money market were tight, with call money and overnight funds unchanged at 5¼ per cent and 5¼ per cent respectively.

UK MONEY MARKET

Special deposits cut by 1½%

Bank of England Minimum Lending Rate 10 per cent (since June 8, 1978)

The supply of day to day credit in the London money market has, so far this week, been extremely short. The authorities took steps yesterday to ease the situation by cutting the rate of call for special deposits from 3 per cent to 1½ per cent of eligible liabilities as from June 19. This move is seen as an attempt to increase liquidity at a time when the Government is in the process of floating two major offerings of gilt-edged stock. However, the authorities stipulated that this did not reflect a change of policy but was intended more as a smoothing operation. This was underlined by their intention to increase the rate on special deposits to 2 per cent from July 3 and back to 3 per cent on July 24. At the same time Bank of England Minimum Lending Rate remained at 10 per cent.

With the release of special deposits not effective until Monday, day to day credit remained in extremely short supply. The authorities lent an exceptional amount to 7 or 8 houses at MLR for repayment today and bought a small number of Treasury bills from banks. Although discount houses paid up to 10 per cent for secured call loans at the close, the total amount of assistance appeared to have been overdone. Banks brought forward balances well above target and there was a fairly large fall in the note circulation. On the other hand, revenue transfers to the Exchequer exceeded Government disbursements and there were a number of local authority bills maturing in official hands. This was in addition to the repayment of Wednesday's exceptionally large loans to the market as well as applications for the new 12 per cent Exchequer 2013-17.

In the interbank market, overnight loans opened at 12½-13 per cent and firmed to 13-13½ per cent. However, by mid-day rates had eased to 10-10½ per cent and during the afternoon reached 11½-12 per cent at one point before closing at around 10 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

June 15 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	9½-13½	—	—	—	—	9¾-10	—	—	—
2 days notice	—	—	11½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11¾-13	11½	—	11¾-12¾	—	9¾-10	—	—	—
One month	10⅜-10⅛	1 ½ 11¼	11-11¼	9⅞-11	11⅜-11½	—	9½-9¾	9⅜	10¼-10⅜	10¾
Two months	1. ¼-1	10½-10⅞	—	9½ 10¾	1 ¾-11⅜	—	9⅜-9½	9⅜-9¼	10⅛	10⅝
Three months	1 -9½	10 10⅝	10⅛-10⅝	9¼ 10⅝	10⅞-10¾	—	9¼-9⅜	[illegible]	9¾-9½	10½
Six months	9⅞-⅝	9⅞-10⅜	10⅛-10⅜	8¾-9⅞	10⅛	—	—	—	9½-9¾	10½
Nine months	9¾ 9⅝	9⅞-10	—	9¼-6⅞	10⅜	—	—	—	—	—
One year	9¾-9⅝	9⅞-10	10½-10⅝	9¼-9⅞	10⅜-10½	—	—	—	—	—
Two years	—	—	10⅞	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rate nominally three years 11⅞-11 15/16 per cent; four years 12⅛ per cent; five years 12⅛-12¼ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 9 7/16-9 9/16 per cent; four-month trade bills 10½ per cent.

Approximate selling rates for one-month Treasury bills 9 3/16-9 5/16-9 9/32 per cent; two month 9¼-9 11/32 per cent; and three-month 9 5/16-9 ¾ per cent. Approximate selling rate for one-month bank bills 10 per cent; and two-month 9⅞ per cent; and three-month 9 9/16-9 ¾ per cent. One-month trade bills 10⅝ per cent; two-month 10½ per cent; and also three-month 10⅜ per cent.

Finance Houses Base Rate (published by the Finance House Association) 8½ per cent from June 1, 1978. **Clearing Bank Deposit Rates** (for small sums at seven days notice) 6½-7 per cent. **Clearing Bank Base Rates for lending** 10 per cent. **Treasury Bills:** Average tender rates of discount 9.4252 per cent.

GOLD

Weaker tendency

Trading in the London bullion market remained extremely dull and the metal closed $1¼ down at $182½-183. It eased to a morning fixing of $182.55 which was down from the opening of $182⅞-183⅜ and the previous fixing of $183.70. Conditions were very quiet with no significant new factors to influence the market. The afternoon fixing showed a further decline to $182.15 and the opening of centres in New York prompted very little movement.

	June 15	June 14
Gold Bullion (a fine ounce)		
Close	$182½-183	$183¾-184¼
Opening	$182⅞-183⅜	$183¾-184
Morning fixing	$182.55 (£99.836)	$183.85 (£100.398)
Afternoon fixing	$182.15 (£99.405)	$183.70 (£100.181)
Gold Coins domestically		
Krugerrand	$188½-190½ (£103-104)	$189½-190½ (£103½-104)
New Sovereigns	$55¼-56½ (£29½-31)	$55½-56½ (£29½-30½)
Old Sovereigns	$55¼-57¼ (£30½-31¼)	$55¼-57¼ (£30½-31¼)
Gold Coins internationally		
Krugerrand	$187½-189½ (£102½-103½)	$188½-190½ (£103-104)
New Sovereigns	$52¼-54¼ (£28½-29½)	$52½-54½ (£28½-29½)
Old Sovereigns	$55¼-57¼ (£30½-31¼)	$55¼-57¼ (£30½-31¼)
$20 Eagles	$275½-278½	$276-279
$10 Eagles	$150-155	$150½-155½
$5 Eagles	$100-104	$98-100

MONEY RATES

NEW YORK

Prime Rate	8.5
Fed. Funds	7.5
Treasury Bills (13-week)	6.64
Treasury Bills (26-week)	7.16

GERMANY

Discount Rate	3
Overnight	3.5
One month	3.55
Three months	3.65
Six months	[illegible]

FRANCE

Discount Rate	[illegible]
Overnight	[illegible]
One month	[illegible]
Three months	[illegible]
Six months	[illegible]

JAPAN

Discount Rate	[illegible]
Call (Unconditional)	[illegible]
Bills Discount Rate	[illegible]

Safeguarding tomorrow's mineral supplies

BY PAUL CHEESERIGHT

AN OFFICIAL review of British policy on the security and maintenance of mineral supplies, now taking place within the Department of Industry, has been given additional point by recent events in Africa. When Katangese armed rebels crossed from Angola to Zaire and disrupted the flow of already diminished cobalt supplies from the mines of Kolwezi to the high technology industries of the West, it was a salutory reminder of the UK's overwhelming dependence on imported minerals.

This historic vulnerability was further emphasised when it became known that the Government had been approaching engineering companies for assessments of the likely effect on their business of any imposition of a policy of economic sanctions against South Africa, a significant minerals supplier to the UK.

The Industry Department review does not aim to provide for a situation where the UK may be blockaded because of war. Rather it is directed at disruptions to supplies and prices from circumstances outside the Government's immediate control.

The supply of industrial raw materials cannot be taken for granted, although it often is. The problem faced by the Government is how to ensure that industry is protected against interruptions in the flow of minerals. Mine production in any part of the world can quickly be stopped by political disturbance, labour disputes or natural disaster. Shortages may also develop through lack of investment—this is a distinct possibility in the 1980s. Governments elsewhere may, for political reasons, curtail supplies.

Insecurity

The recognition of insecurity is belated. There has been no officially inspired national drive to seek out sources of raw materials on the Japanese pattern, no system of loans offered to mining companies for exploration and development such as that in Germany, no launching of a limited stockpile policy like the French.

Even in a European context, there are still only three minerals where EEC production account for more than two thirds of supplies—fluorspar, mercury and potash.

Britain has been living off the fat accumulated in earlier years. The country has been fortunate: industrial growth in the last century was based largely on indigenous minerals, then followed a lengthy period when supplies came from dependent territories, forging economic links which have carried over the transition from Empire to Commonwealth.

And there was the question of need. "In contrast to the rest of Europe, and more strikingly, Japan, the UK's consumption of most minerals has declined. This partly reflects the post-1974 recession, but consumption was in many instances falling before then. The decline has enabled the UK to stay within traditional contractual relations without mounting an aggressive search for new supplies," wrote Mr. Phillip Crowson.*

For all that, Britain remans a major consumer, forced to come to terms with a combination of new economic and political circumstances. The capital cost of new mining projects has increased three or four times in the last five years, while the international recession and the low metal prices which it brought about have markedly reduced the ability of the mining groups to invest in ventures needed to meet consumer requirements of the 1980s.

An open-air copper mine near Kolwezi in the Zaire province of Shaba. Recent fighting severely disrupted mineral exports to the West.

Disincentives

Both developed and developing countries with mineral resources have found it hard to balance their assertion of sovereignty over resources and their desire to share in the wealth the resources might bring against the need for international mining groups to achieve an economic return on their risk capital. Taxation changes have been frequent, ownership policies have shifted. The result has been at least a temporary disincentive to already flagging investment.

Further, the political instability of central and southern Africa, of which the recent events in Zaire are the latest violent manifestation, places at risk regular supplies of a number of minerals often not immediately available in quantity elsewhere outside the Eastern bloc.

Cobalt is one, of course. Others are chromium, industrial diamonds, manganese, vanadium, specific varieties of asbestos and precious metals like gold and platinum. South Africa and Namibia (South West Africa) are important sources of uranium.

"Physical shortages or rising prices encourage the search for substitutes, so we should not assume that any drastic development in Africa would necessarily be a long-term disaster to the consuming countries. However, there is no denying the short-term conequences would be critical," said Sir Ronald Prain, the chairman of the former Roan Selection Trust for 30 years.

This combination of circumstances suggests that Britain's mineral policy, once the official review is complete, may evolve in two distinct but interlinked ways involving both the Government and the private sector at both national and EEC levels.

The first involves the broadening of mineral investment throughout the world with an emphasis on countries where a mining industry is not established, thus lessening the dependence on any one particular area. The second concerns measures which would offer limited protection in the face of an emergency which could cut off supplies of a particular mineral.

The question of investment has two sides, domestic and European. The UK is still a centre of mining expertise, based on four major houses—Rio Tinto-Zinc, Consolidated Gold Fields, Selection Trust and Charter Consolidated—all of which have widespread international connections. But they do not function as providers of raw materials for the British economy specifically: they are multinationals working in the environments which suit them best and selling in the markets of maximum advantage.

If, therefore, they are to be more closely attached to the British consumer market, they will have to be offered incentives. They receive no special preference, except for certain relaxations on foreign exchange controls which take into account the different nature of their investment compared with, say, the establishment of a manufacturing unit overseas.

The companies would certainly like a foreign exchange facility which would allow direct investment, absolving them of the need to finance overseas ventures with foreign borrowings. They would like Government aid where the construction of mining projects involves the provision of infrastructure.

At present the Department of Industry is prepared to offer grants for domestic mineral exploration, but only a small portion of the available funds has been taken up. Mining companies have argued for the extension of this scheme to foreign exploration, noting the German scheme where loans are linked to a system of first refusal for German consumers on any minerals discovered.

The attraction of the UK market for mineral products would also be enhanced by the provision of an imports guarantee scheme, in effect the reverse of the exports credit guarantee system, which would provide some assurance of revenue, even when the market is depressed. An interdepartmental committee examined this area in 1976 but nothing emerged. The matter is now being reconsidered.

Security of supplies can at the same time be made more certain by long-term commitments undertaken by consumers. British Insulated Callender Cables and Delta have a long-term contract to take copper from Afton Mines in Canada and they provided a credit facility for the mine's development. British Steel Corporation owns part of the equity and has a commitment to purchase iron ore from Sidbec-Normines, also in Canada.

But there is a limit to how far this process can be taken, because of the fragmented nature of the consuming industry. The mining industry would approve the establishment of some administrative organisation which would bring together smaller consumers and provide the basis of some form of partnership with the producers.

Domestic developments and local incentives are likely, however, to be complemented by EEC action. The Government has implicitly acepted this with its "cautious but constructive welcome" to a European Commission submission to the Council of Ministers. This set out proposals to arrest the fall in, and encourage the growth of, European mining investment in developing countries, from which the EEC and other industrialised countries expect more than half their supplies of cobalt, tin, phosphates, tungsten and copper by 1985.

The proposals seek to come to terms with the European need to protect investments and follow closely submissions made to the Commission by mining groups. Broadly, they suggest agreements between the EEC and host countries, which would lay down rules of conduct for both sides as well as including specific project agreements. The EEC would make a financial contribution to selected ventures and offer an investment insurance scheme to participating companies.

Stockpiles

The Department of Industry has been involved in the framing of the proposals from the start, but the matter has become bogged down in the EEC. France is exhibiting its traditional hostility to any increase of the Commission's powers and thinks in any case that its own guarantee schemes are adequate. Germany is also satisfied with its own arrangements and does not wish to be placed in the position of footing any bill for the insurance scheme. More detailed work is being done in the Commission, but nothing concrete is likely to emerge until after the summer holidays.

The second way in which UK mineral policy might evolve is in making provision for emergencies. This inevitably means the formation of a stockpile policy, which even had they so wanted, previous governments could not have afforded. The case for spending North Sea oil revenues on mineral purchases is now being publicly argued.

A strategic stockpile on the US pattern can probably be ruled out, although a limited stock to provide a measure of relief for industry is not out of the question. But certain basic questions on the minerals to be stocked and who should stock them have not yet been answered by the Department of Industry.

In Mr. Crowson's view, stockpiles would be "especially relevant to that group of commodities where South Africa, the USSR or China have dominant positions. They would provide some assurance that Eastern Bloc countries which produce commodities exported by South Africa would be unable quickly to exploit political disturbances in South Africa to maximum effect."

On the basis of calculations made last year, he estimated the approximate cost of an EEC stockpile for 12 months' supply covering base metals, manganese, chromium, vanadium, the platinum group, antimony, cobalt, tungsten and molybdenum at $7.19bn.

The formation of stockpile policy is a political act, based on assessments of economic breakdown in other areas. The definition of an investment policy for minerals can be justified in terms of economic projections based on historical growth rates. But in both cases the importance of the issues involved points to the need for more vigorous public attention than the muted level of debate suggests it is receiving at the moment.

* *British Foreign Policy to 1985 — Non-fuel Minerals and Foreign Policy: by Phillip Crowson, £3.50; Royal Institute of International Affairs, 1977*

The Property Market

BY JOHN BRENNAN

EPC's unnerving silence

THREE WEEKS of silence following English Property Corporation's announcement of takeover talks with a continental group have unnerved followers of the shares. After an initial flurry of interest, dealers have stopped bothering to work out hypothetical bid prices and have settled back to enjoy the tangle of rumours that fill the factual gaps in the saga.

Factually, EPC's merchant bank advisers, Samuel Montagu, report that, "discussions are still taking place." The bank is conscious that a three-week silence is unfortunate, and it will consider issuing a further holding statement if the talks drag on.

The rumour and speculation front provides considerably more interesting food for thought.

Since the announcement in May the Dutch property group NV Beleggingsmaatschappij Wereldhave has been firmly tipped as the prospective bidder.

A long-standing institutional friend of Wereldhave, the Western Utrecht Mortgage Bank, has also been mentioned as a one other consortuim partner in the negotiations.

Whoever is talking with EPC is not talking directly to the group's largest shareholder, Eagle Star, whose 27.2 per cent shareholding holds the key to any bid. Eagle Star admits that it has been "fed up with the market price" of EPC. But it discounts most of the personality and policy clash rumours that have been building up in the market.

It has been said that David Llewellyn, EPC's chief executive had been casting around for a buyer for Eagle Star's shareholding because of the insurer's enthusiasm to further de-gear into an improving physical property investment market. But Eagle Star has denied putting pressure on Mr. Llewellyn, and as the bid negotiations are at a delicate stage—with nothing on paper yet—the insurer is quite reasonably not keen to forecast its future attitude.

One thing on which property observers are united is that if Mr. Llewellyn could pull off a deal involving a bid for the group around the 70p mark, it would be the most impressive property coup in years. Eagle Star is hardly likely to reject such an offer, even if recent letting interest in EPC's Belgium developments, and the general rise in property values since its October year-end, firm net assets at, or slightly above that level. And outside shareholders would jump at the chance.

However, a £13m revenue deficit in the UK and Europe offset by a £2m inflow from EPC's North American interests, may prove too heady for the Continentals unless a rapid disposals programme could stem the income haemorrhage. Time will tell. In the meantime the sluggish share price suggests that the market doesn't want to be dealt into Mr. Llewellyn's high stakes game. Mr. Llewellyn's reaction to speculation in the market? "I ignore it."

IN BRIEF

Retail rent values have increased by nearly 50 per cent. since 1974, and are still rising.

COMMERCIAL RENTS outpaced inflation by 3 per cent in the 12 months to the end of May according to the second edition of the Investors Chronicle Hillier Parker Rent Index.

The Index, published today, shows overall rent growth of 9 per cent in the six months from May to November, 1977, rising to an annualised 15 per cent in the following half year.

Dr. Russell Schiller, the economist responsible for the Index, is uneasy about publishing his figures at half yearly intervals. He warns that rent anomolies that would be ironed out on an annual view could distort the six monthly results. But Dr. Schiller hits out at recent criticisms of the exercise, arguing that many critics miss the point that this is an attempt to measure rental value trends, not rental income. It is impossible to make direct comparison between Index figures and actual portfolio performance because of the time lag effect on income of long rent review periods. As 21, 14 and 7 year reviews are worked out of the system—and the firm expects three quarters of commercial space to be on 5 yearly reviews by 1984—the relationship between rent value will become progressively closer.

Back to values, the Index shows that shops have again outperformed other classes of property.

In the six months to May shop rent values in Central London show an inflation adjusted 33 per cent annual growth rate against just 0.4 per cent for Suburban London shops and a national average growth rate of 12.6 per cent.

The London suburbs have been a better bet for offices, with annualised six month rent growth of 15.6 per cent compared to a national average of 2.7 per cent.

Office rents nationally are shown to have overtaken their previous high point in 1974, with the recovery in Central London office rents counteracting the effects of a still sluggish provincial market. In contrast, the three-year boom in industrial rents seems to have peaked. The Index shows a 2.7 per cent slide in rent values nationally.

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BOURNEMOUTH'S office market could begin to come to life again as accommodation in first choice relocation centres nearer London is absorbed. At least Wimpey thinks it will, and the Heron Group and Townsend Thoresen Properties must hope it will, for Wimpey has just bought a 35-acre office campus site three miles outside the town, and the other developers each have 41,000 sq ft schemes there which are due for completion this summer.

Wimpey has picked up the former Amalgamated Investment and Property site from National Westminster Bank, land that was zoned for offices under Bournemouth's northern development plan. Local agents Goadsby and Harding, who arranged the sale for AIP's mortgagee, have been retained by Wimpey to market the development which has outline planning permission for 500,000 sq ft of offices and detailed planning consent on a 160,000 sq ft first phase. Rumour has it that Wimpey Property Holdings paid just under £1m for the land.

Wimpey seems likely to hold out for a pre-letting on the first phase, at least until Heron's town centre block and Townsend's Morris House development have tenants. Both are on the market for over £4 a sq ft. A letting would help to re-establish rent levels in the town for apart from a number of small and secondary office lettings ranging from £1.50 to nearly £4 a sq ft, the last major agency deal there was two years ago when Gresham Life Assurance paid £3.65 a sq ft for Marler Estate's 26,000 sq ft development.

Consortium break-ups

LAST SEPTEMBER Westgrove Securities opened the door for private investors to participate in the flat break-up business. Nine months after the scheme was unveiled in this column the first of these consortium operations has been completed and investors will shortly learn that after repayment of bank loans and management charges their equity has increased by 97.6 per cent from £550,000 to £1.09m.

After stripping out standard rate tax and Westgrove's one third share of the balance, private investors are left with a gross return, on top of their initial stake, of over 40 per cent. Little wonder that in its first nine months Westgrove has brought just over £7m worth of properties under its wing and aims to have acquired or traded around £50m worth by the year end.

The explosive growth of the business is all the more remarkable in that the unauthorised property unit trusts created as a vehicle for the flat breaking are forbidden by law from public advertising. Westgrove draws in investors through stockbrokers and other professional advisers, having started the ball rolling with the backing of brokers Panmure Gordon, whose private clients figured large in the first of Westgrove's Property Associates Unit Trusts.

Westgrove, which is chaired by Arnold Hagenbach, founder of the Arndale Trusts, and directed by former United States West Coast banker Clifford Smith, has one trump card when it comes to attracting investors. National Westminster Bank has lent its name to the business as trustee of each of the unit trusts formed to handle break-ups.

The business itself follows the classic residential break-up pattern, apart from its financing. Westgrove aims to buy tenanted flat blocks at 35 to 40 per cent of vacant possession prices, sell any empty flats on the open market and sell the rest to sitting tenants at a 30 to 40 per cent discount to open market values. Having found a property, it estimates the total break-up costs, raises around half the cost in the form of a Standard and Chartered Bank loan, and offers units in a specially formed Property Associates Unit Trust, through brokers and other financial advisers, to private investors. The investors can subscribe in units down to a minimum of £2,000.

The unit trusts have a maximum life of 18 months. But Westgrove has so far only dealt with projected break-up periods of less than a year. At the end of the operation the rump of the properties is sold, the bank loans repaid, and NatWest pays standard rate tax on the accumulated cash. The Inland Revenue has yet to test the tax liability of the distributable surplus and could eventually raise trading assessments on the profits. Even so, the after-tax returns so far have been impressive enough to satisfy most speculators.

The first of the Property Associates Unit Trusts bought Guildhall Property Company's residential properties last September for £853,000. The Trust acquired 160 flats and two shops in Knightsbridge, Merton and Wimbledon and its total purchase costs after brokers' fees, interest, legal charges, surveying, marketing and so forth came to £950,000. Nine months on, sales have raised £1.49m, a gross profit of £537,000. After repaying a £400,000 bank loan to Standard and Chartered and repaying investors' initial equity of £550,000, tax takes a third of the surplus and Westgrove a third of the balance, leaving investors their gross 40 per cent.

Westgrove's second trust paid Wates' £183,000 for a flat block in Richmond, and the third £1.5m for Heritable and General Bank's 100-flat Boydell Court in St. John's Wood. And the investment interest in these trusts has been sufficient for Westgrove to put together an unsuccessful £8.25m bid for Peachey's Park West block, allowing an additional £2m plus for refurbishment.

Westgrove's next step is to form an exempt property fund that will be able to hold the rump of properties left after a rapid break-up, and which would be open to institutions looking for a longer term holding.

Institutions already account for a substantial part of the cash for the speculative dealing business, and with NatWest around to ensure that Westgrove keeps to the respectable end of the break-up business, funds' participation in the trusts is increasing.

The Westgrove schemes are totally speculative, and profit forecasts can be thrown wildly out by changes in the availability and cost of mortgages and the other vagaries of the housing market. But there is clearly a demand for this form of consortium property dealing and, so far, it works.

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INDUSTRIAL AND BUSINESS PROPERTY

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PROPERTY DEALS

Shopping for a town

IT MUST be increasingly difficult to find a town, even a village, that hasn't had a recent visit from a developer searching for a new shop site. And to judge by the number of town centre shopping schemes to be sanctioned in the past 12 months, the relatively short development period for these schemes, and the prospect of tapping the booming retail rental market, clearly provides developers with a persuasive case when angling for institutional backing.

Private developer Arrowcroft Investments is now hammering out the details of institutional finance for a £10m. shop scheme in the centre of Chester. And with a pre-letting to Tesco for an 80,000 square foot superstore, and to Boots for another 63,000 square foot unit, Arrowcroft goes into the negotiations with the unusually strong hand of a secure forward rent roll of around £500,000 a year.

The six-acre site, which fronts onto Chester's Foregate and Frodsham Streets, was originally assembled by a local group, the Union Canal Company, in partnership with Norwich Union. Arrowcroft and its contracting partner, Cruden Developments, bought the land, revised the first scheme, and their new plans have now been agreed by Chester Borough Council, which has acquired and leased-back the land on a 125-year lease.

Work starts on the Chester scheme in September, and the stores will be trading by 1980.

The 275,000 sq ft, £14m phase two of the Basingstoke town centre development is also due to start later this year. BP Oil trustees, advised by Debenham Tewson and Chinnocks, are financing the project, Basingstoke and Deane Borough Council, using Chestertons as project managers, are acting as developer. Phase two will be completed by Easter 1981 and Healey and Baker, joint letting agents with Chestertons, have already pre-let the 190,000 sq ft of prime store units to Owen Owen, Boots, Sainsbury and C and A Modes.

On a more modest scale Hendyvale, the private Heritable and General Investment Bank's property arm, starts work this week on the 70,000 sq ft £2m Rowland Hill shopping centre in Kidderminster in partnership with the Wyre Forest District Council.

Hammond Phillips Partnership, letting agents for the 22-shop precinct, expect the scheme to be trading by Christmas, 1979.

The Clifton Down Station shopping centre at Whiteladies Road, Bristol, will also open in time for 1979's Christmas trade. Work has now begun on the £4.5m project on British Rail land. An Alfred Booth and Company associate, Thrasylus Properties, advised by local agents Lalonde Brothers and Parham, has been working on the development for 15 years. But it toook pre-lettings to W. H. Smith, Sainsbury's and Boots to draw in a financing partner, in this case, Provident Mutual Life Assurance. King and Company acted for the insurer, and William Cowlin is building the three-store, 20-shop, and 20,000 square feet of offices on site.

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LAST YEAR'S scruffy warehouse is today's prime investment property in Covent Garden. Interest in Covent Garden property has heightened since the £2m refurbishment work started on the former central market buildings, and since a collection of new restaurants and shops has drawn trade back to the area.

In one of the largest, and longest, letting operations in the market, Knight Frank and Rutley, acting for the Covent Garden Authority, has now completed letting of the 70,000 square feet of offices, shops, studio, warehouse and factory space in the T. J. Poupart fruit company's former buildings on the site bounded by Long Acre, Langley Street, Neal Street and Shelton Street.

The agent has let some 10,000 sq feet of offices at rents of up to £5.75 a sq foot, and has achieved rents of up to £4.50 a sq foot for small industrial units in the block.

Further into the market St. Quentin Son and Stanley and Covent Garden specialists E. A. Shaw and Company, have set new levels for refurbished office space by letting National Provident's 9,300 sq foot building at 35/36 Bedford Street, W.C.2 for £7.36 a sq foot L.A.P. Advertising, part of the Guinness Group, has taken a 15-year lease on the space at £68,500 a year.

An even more impressive gauge of interest in the area is the fight for Fletcher King and Megran's old warehouse building at 44a and 44b Floral Street, near the Royal Opera House's box office. The agent, acting for a private investor, is marketing the block with planning permission for conversion to 4,115 sq ft of shop or restaurant space, 3,840 sq ft of office and—rare in the market area—four two-bedroom flats. A year ago it would have been hard to find a taker for the unconverted 19th-century building, now even a £300,000 asking price hasn't deterred a small queue of would-be re-developers.

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THERE ARE signs of resistance to higher West End rents in Leslie Lintott and Associates' June survey of air conditioned offices. Three month rolling average figures show a steady increase in space available, to 1.3m square feet, at average asking rents of £11.55 a sq ft. Yet there is still a rather feeble take-up rate, a three-month average of just 88,453 square feet in May. More dramatically, average asking rents on the space taken up has slipped from a February peak of £9.64 to £8.34 a square foot, only two-thirds of the overall asking rent level for this quality of offices.

J.B.

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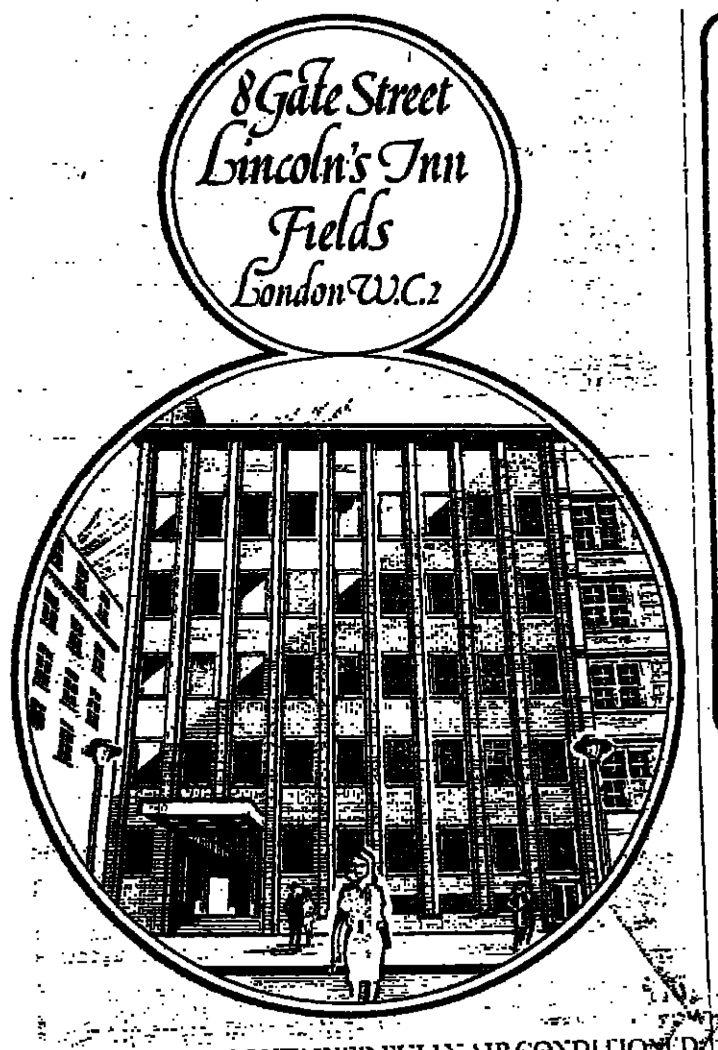

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PROPERTY

JULY 3, 1978

The Financial Times is planning to publish a Survey on Property. The main headings of the provisional editorial synopsis are set out below:

INTRODUCTION The property market entered 1978 on the crest of rising property values and a rise in property share prices. Early enthusiasm has ebbed as doubts about the long-term strength of the country's economic recovery and the effects of higher interest rates are absorbed. But the industry's recovery from the 1973-74 crash is now too well founded to be upset by a temporary loss of nerve.

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WORLD STOCK MARKETS

Wall St. falls 10 but Hong Kong advances

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AMID INDICATIONS that the Wall Street stock market is entering a corrective phase, prices retreated sharply over a broad front in active, although reduced trading yesterday.

The Dow Jones Industrial Average came back 10.31 to 844.25 and the NYSE All Common Index declined 37 cents to $55.31, while losses outpaced gains by 1,135 to 356. Trading volume contracted to 29.28m shares from Wednesday's very heavy total of 37.29m.

"I think the market's path of least resistance for the near-term is downwards," commented Harry Laubscher, of Blyth Eastman Dillon. "The market is giving signs it needs a little rest," after its long rise from mid-April, he added.

Analysts said there was also some nervousness in advance of the weekly U.S. money supply figures, due after the New York SE close.

Last week, money supply rose $4.2bn, increasing fears that the Federal Reserve might move to further tighten monetary policy, particularly if this week's report showed another rise. Most analysts were looking for a decline in the money supply yesterday, however.

If there is some drop in the money supply, it could trigger a rally," commented Harvey Deutsch, of Purcell Graham and Co. But he added that "I see a more serious correction" if the stock market fails to rebound in the next few days.

After the market close, the Fed reported that U.S. money supply M-1 was unchanged in the latest reporting week, while the broader M-2 measure rose $100m.

The Commerce Department reported that U.S. inventories rose $3.85bn in April after a $5.44bn jump in March. Purcell Graham's Harvey Deutsch said the implication is that business will increase borrowing to finance the inventories, putting further upward pressure on short-term interest rates.

Rowan jumped 8¾ to $26 — it has rejected as inadequate a $26 a share offer for its stock from **Chicago Bridge and Iron**, which lost 1¾ to $56¼.

IC Industries declined 1¼ to $24¼ — Hardee's has obtained a court order blocking IC from interfering with the merger of Pet and Hardee's, but IC said it will contest the action. **Hardee's** added ¼ to $16¾ and **Pet** ¼ to $50½.

A number of glamour and institutional favourites lost ground. **IBM** slipped 1¼ to $270 and **UAL** 1¾ to $28¾ in heavy trading, including a 200,000 share block traded at $28¾.

U.S. Steel, down ½ at $27¾, joined Bethlehem, Republic and National steel companies in announcing a modest 3 per cent price rise on steel mill products.

THE AMERICAN SE Market Value Index reacted 0.58 to 150.74 on volume of 4.80m shares (5.65m).

Husky Oil moved ahead 3¼ to $45 Petro-Canada has raised its bid for Husky to C$52 a share.

Tokyo

Share prices were mixed with an easier bias in another modest business as a wait-and-see mood spread over the market as a result of the continuing plunge of the dollar against the yen on foreign exchange markets. However, some investors selected the issues that will not be hurt by the yen's rise. The Nikkei-Dow Jones Average lost 6.20 to 5,495.91, but the Tokyo SE index hardened 0.25 to 412.33. Volume equalled Wednesday's level of 220m shares.

Most export-orientated issues lost ground, with **Sony** ending Y30 off at Y1,720 following lower interim results. **Pioneer Electronic** were Y20 cheaper at Y1,750, **Canon** Y4 easier at Y481 and **Isuzu Motor** Y6 down at Y291.

Shipbuildings, such as **Kawasaki Heavy Industries** and **Fuji Heavy Industries**, were generally easier, while recently-selected speculatives, like **Maruzen, Toyo Refined Sugar** and **Osaka Concrete**, also retreated.

Selective buying focused on Retailers and small-size issues. **Daimaru, Midoriya** and some other Department Stores were bought.

Also higher were domestic-market issues, like Real Estates, Chemicals and Sugars. **Nippon Refined Sugar, Gunze** and **Koatsu Gas** were among those to improve.

Public Works shares rose in response to International Trade and Industry Minister Toshio Komoto's remark that additional steps, including a large supplementary budget, would be necessary to ensure Japan reached its 7 per cent economic growth target for fiscal 1978. Shipping Lines also firmed, reflecting the recovery in the tramp market.

Elsewhere **Nippon Steel** put on Y3 to Y117 on institutional buying, taking other Steels higher.

Hong Kong

The entry of aggressive London institutional buying pushed the market forward at an even faster pace yesterday, the Hang Seng index climbing 18.28 more to 546.54, its highest level for the past four-and-a-half years.

Interest was more widespread than of late, with good local demand also in evidence. However, institutions were primarily interested in the leaders, and market sources noted that the Hong Kong offices of London brokers were in the market to replenish their depleted supply of stocks currently in demand in London. Dealers said the renewed advance after a shake-out on Tuesday has increased confidence that the market will continue rising for some time to come.

Among the leaders, **Hong Kong Bank** rose 50 cents to HK$18.00, **Hong Kong Land** a further 45 cents to HK$9.40, **Swire Pacific "A"** 60 cents to HK$8.10 and **Jardine Matheson** 50 cents to HK$15.90.

Properties were again favoured, **Hong Kong Wharf** adding HK$1 at HK$23.50 and **New World** 8 cents at HK$1.83.

Australia

Stocks again made an irregular showing yesterday, although there were a few outstanding bright spots in the Mining sector.

BH South, after Wednesday's 15 cents advance on a flurry of take-over rumours, moved ahead 12 cents further to A$1.32, with the last few cents of the gain coming after directors had said that they knew of no reason for the price rise. Volume in the stock was heavy.

Renison Tin put on A$1.30 to a new peak of A$10.80, spurred on by the sharp rise in the London tin price and also take-over speculation.

Among Coals, **Bellambi** gained another 10 cents to A$5.40. **Coal and Allied** 15 cents more to A$4.10 and **Utah** 5 cents to A$4.15, but **Thiess** came back 3 cents to A$2.72.

However, Copper issues were easier following U.S. price cuts in the metal. **Bougainville** shedding 3 cents to A$1.25 and **Western Mining** 2 cents to A$1.63.

The Oil Shale stocks relinquished more of the recent sharp speculative rise. **Southern Pacific** losing 30 cents to A$2.25 and **Central Pacific**, which were untraded in Sydney, falling A$1.50 to A$6 in Melbourne.

Pastoral companies were firmer on a Canberra forecast that farm incomes would be up more than 40 per cent this year, but Banks and Financials were dull.

BHP closed 2 cents off at A$7.20 despite fresh support from arbitrage operators.

The Computer concern **Datronics** rose 12 cents to A$1.30.

Germany

Profit-taking brought an easier tendency yesterday following Wednesday's widespread improvement.

Bayer Vereinsbank slipped 2.2 to DM311.8. **AEG**, in Electricals, receded 1.3 to DM81.0 ahead of next week's annual meeting, while elsewhere, **Conti Gummi** declined 2.2 to DM73.8 and **Horton** 1.5 to DM133.5. Motors, however, hardened, with **Volkswagen** adding 1.2 at DM213, while Engineerings provided another firm sector. **MAN** rose 4 to DM196 and **Linde** 1.8 to DM249.8.

Gelsenberg rose to DM120 on being requoted, following the previous day's suspension at DM94.7 on news of the Veba share-or-cash offer.

Public Authority Bonds recorded further losses to 50 pfennigs. The Bundesbank bought DM26.5m nominal of stock. Mark Foreign Loans were little changed.

Paris

Market continued to show a softening bias in light volume.

Brokers said investors were still assessing statements by President Giscard d'Estaing on Wednesday to the effect that as of 1979 legislation will be introduced to encourage worker participation in the capital of French companies.

Banks, Portfolios, Foods and Mining issues were firm against the general trend while Mechanicals and Stores were mixed, but declines predominated in all other sectors.

Significantly lower were **Kleber, Saunier Duval, Hachette, Nouvelles Galeries, Telephones Ericsson, Chiers, BP, Bellon** and **Dollfus-Mieg**.

However, **Simco** were suspended due to an influx of buying orders, while **Paribas** rose 2.4 further to FFr. 162.7.

Canada

Stocks were inclined to gain further ground in another heavy trade. The Toronto Composite Index put on 1.6 more to a high for the year of 1,148.0, while Oils and Gas strengthened a further 12.2 to 1,466.3 and Golds added 3.3 at 1,387.8, but Metals and Minerals declined 5.2 to 956.1.

Switzerland

The recent firming trend persisted. One dealer said there were new rumours in the market that the Swiss Central Bank will ease investment curbs for non-resident foreigners. He noted that much Swiss capital is still seeking investment.

Saurer Bearer, however, receded 50 to SwFr 830 following a denial by the Oerlikon-Buehrle chairman of a possible take-over bid for Saurer.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax. ♦ DM50 denom. unless otherwise stated, yields based on net dividends plus tax. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr 100 denom. unless otherwise stated. ♦ Frs 500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. $ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs, including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

Indices

NEW YORK—DOW JONES

	June 15	June 14	June 13	June 12	June 9	June 8	1978 High	1978 Low	Since compilation High	Since compilation Low
Industrial	844.25	854.56	856.98	858.79	859.28	862.03	866.51 (6/6)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bn'ds*	87.95	87.83	87.69	87.60	87.68	87.79	90.88 (4/1)	87.60 (9/6)	—	—
Transport	225.46	229.21	229.74	230.18	230.72	231.30	231.35 (6/6)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	105.61	106.16	106.92	106.36	106.83	107.10	110.98 (3/1)	102.84 (22/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's†	29,250	37,290	39,760	28,440	32,470	39,380	—	—	—	—

*Basis of Index changed from August 24.

	June 9	June 2	May 26	Year ago (approx.)
Ind. div. yield %	5.43	5.50	5.59	4.81

STANDARD AND POORS

	June 15	June 14	June 13	June 12	June 9	June 8	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
†Industrials	—	109.96	110.16	110.07	110.52	110.87	110.88 (6/6)	95.52 (6/3)	134.54 (11/1/73)	3.52 (30/6/32)
§Composite	—	99.48	99.57	99.56	99.95	100.21	100.32 (6/6)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	June 14	June 7	May 31	Year ago (approx.)
Ind. div. yield %	4.90	4.86	5.01	4.39
Ind. P/E Ratio	9.44	9.51	9.29	10.17
Long Govt. Bond yield	8.44	8.43	8.51	7.56

N.Y.S.E. ALL COMMON

June 15	June 14	June 13	June 12	1978 High	1978 Low
55.31	55.68	55.91	55.85	56.20 (6/6)	48.47 (6/3)

Rises and Falls	June 15	June 14	June 13
Issues traded	1,912	1,912	1,906
Rises	794	794	629
Falls	685	685	855
Unchanged	433	433	422
New Highs	58	132	72
New Lows	32	35	33

MONTREAL

	June 15	June 14	June 13	June 12	1978 High	1978 Low
Industrial	185.88	184.65	183.81	183.93	185.08 (15/6)	162.60 (16/2)
Combined	193.80	193.54	192.77	193.23	194.00 (9/6)	170.52 (30/1)
TORONTO Composite	1148.0	1146.4	1142.6	1143.0	1148.0 (15/6)	998.2 (30/1)
JOHANNESBURG Gold	214.0	214.7	216.3	215.8	21-.7 (1/2)	185.0 (30/4)
JOHANNESBURG Industrial	254.0	250.5	227.9	226.0	254.9 (15/6)	194.9 (15/3)

	June 15	Previous	1978 High	1976 Low
Australia	500.87	500.28	501.34 (13/6)	441.19 (1/3)
Belgium	96.82	96.53	101.16 (8/5)	95.43 (23/6)
Denmark	96.20	95.98	98.13 (9/1)	94.00 (6/2)
France	69.9	70.1	71.2 (30/5)	47.6 (3/2)
Germany	795.2	796.9	812.7	739.4
Spain	105.77	104.34	110.71 (9/6)	87.88 (17/3)
Sweden	367.94	365.76	367.96 (4/6)	325.74 (3/1)
Switzer'd	293.4	293.4	323.7 (14/2)	279.0 (25/4)

THURSDAY'S ACTIVE STOCKS

GERMANY ♦

June 15	Price Dm.	+ or −	Div. %	Yld. %
Bayer. Hypo	276.5	−1.5	28.12	5.1
Bayer. Vereinsbk.	311.8	−2.2	18	2.9
Ciba-Geigy	165		—	—
Commerzbank	222.4	−0.9	17	7.6
Conti Gummi	73.8	−2.2	—	—
Daimler Benz	308	+0.5	28.12	4.6
Degussa	261.9 xd	+0.1	17	3.3
Demag	157	−0.5	14	4.5
Deutsche Bank	300.2 xd	−0.8	28.12	4.7
Dresdner Bank	238 xd	−2	28.12	5.9
Dyckerhoff Zemt	169.5		9.38	2.8
Gutehoffnung	200	−2	12	3.0
Hapag Lloyd	118		14.04	5.9
Harpener	293.5	−0.5	16.72	5.5
Hoechst	131.5 xd	−0.5	18.75	7.2
Hoesch	46.9		4	4.3
Horten	133.5	−1.5	9.36	3.5
Kali und Salz	137	−1.5	9	3.3
Karstadt	321		23.44	3.7
Kaufhof	222	−1	18.72	4.3
Kloeckner DM100	93.1	−0.4	—	—
KHD	184.0		18.76	5.1
Krupp	96		—	—
Linde	249.8	+1.8	25	5.0
Lowenbrau 100	1,450 xd		25	0.8
Lufthansa	111.5	−0.5	9.36	4.2
MAN	196	+4	12	3.1
Mannesmann	158.4	−0.1	17.18	5.4
Metallges	218	−1	10	2.3
Muenchener Rueck	545	−8	18	1.7
Neckermann	131	+0.5	—	—
Preussag DM100	117.3	−0.2	—	—
Rhein West. Elect.	189	+0.5	25	6.6
Schering	271		28.12	5.2
Siemens	287	−0.3	16	2.8
Sud Zucker	242		26.56	5.5
Thyssen A.G.	116.8	−0.5	17.18	7.3
Varta	176	+1	14	4.0
VEBA	110.5	+0.7	12	5.5
Verein & West Bk	290 xd		18	3.1
Volkswagen	213	+1.2	25	5.8

AMSTERDAM

June 15	Price Fls.	+ or −	Div. %	Yld. %
Ahold (Fl.20)	107.0	−1.00	21	3.4
Akzo (Fl.20)	30.50	−0.20	—	—
Algem Bnk (Fl.100)	357.50	−1.50	A26.5	6.6
AMEV (Fl.10)	86.60	+0.10	50	5.8
Amrobank (Fl.20)	75.40	+0.30	23.5	6.0
Bijenkorf	92.0	+1.0	26	5.7
Boka West'nd (Fl.10)	124	−0.7	80	6.5
Buhrmann Tetterode	73.4	+0.4	26	7.1
Elsevier N.V. (Fl.20)	295	+3	37.5	1.9
Ennia N.V. Bearer	138.80	−0.20	37.5	5.4
EuroCom Tst (Fl.10)	86.0	+1	94.6	5.3
Gist Brocades (Fl.10)	36.30	+1.30	23	6.0
Heineken (Fl.25)	104.10	+1.60	14	3.4
Hoogovens (Fl.20)	34.80	−0.50	—	—
Hunter D. (Fl.100)	25.10	−0.40	12	4.8
K.L.M. (Fl.100)	175	−1	8	4.6
Int. Muller (Fl.20)	48.5	+0.8	26	7.0
Naarden (Fl.10)	36.60	+0.60	12.5	3.4
Nat. Ned Ins. (Fl.10)	108.40	+0.40	48	4.4
NedCred Bk (Fl.20)	55.5	+0.1	21	7.9
Ned Mid Bk (Fl.50)	185.10	+0.80	22	6.0
Oce (Fl.20)	161.0	+3.0	36	4.4
Van Ommeren	149.50	−2.50	18	5.3
Pakhoed (Fl.20)	38.20	−0.50	—	—
Philips (Fl.10)	27.0	+0.20	17	6.3
Rijnsch Vert (Fl.100)	84	−1	—	—
Robeco (Fl.50)	172.20	−0.30	A25.6	7.4
Rolinco (Fl.50)	132.20	−0.20	—	—
Rorento (Fl.50)	122.3	+0.1	14	5.8
Royal Dutch (Fl.20)	128.1		53.75	8.4
Slavenburg	251.5	−1.5	19	7.6
Tevin Groep (Fl.20)	127	−1.5	27	4.3
Tokyo Pac. Hold.	115	+1	30	0.6
Unilever (Fl.20)	122.0	+1	42.8	7.0
Viking Res. Int. $1	41.8	−6.9	20	1.1
Westutr. Hyp. Bank	409	+3	33	3.9

COPENHAGEN ♣

June 15	Price Kroner	+ or −	Div. %	Yld. %
Andelsbanken	155½	+¼	11	8.1
Burm'ser W.	475		15	3.2
Danske Bank	133		13	9.8
East Asiatic Co.	167¼ xr	−¼	12	7.2
Finansbanken	127¾ xr	+¼	13	10.2
For. Bryggerier	359½	+1½	12	3.3
For. Papir	79¾	+1¾	—	—
Handelsbank	124		12	8.9
G.N'th'n H. (Kr.80)	265	−4	12	4.1
Nord Kabel	193½ xd	+2¼	12	6.2
Novo Industri	75½		12	—
Privatbank	129½		—	8.5
Provinsbank	136½		11	8.1
Soph. Berendsen	395	+5¼	11	3.0
Superfos	184½	+½	12	6.5

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

A.B.N. Bank ... 10 %	■ Hill Samuel ... §10 %
Allied Irish Banks Ltd. 10 %	C. Hoare & Co. ... †10 %
American Express Bk. 10 %	Julian S. Hodge ... 11 %
Amro Bank ... 10 %	Hongkong & Shanghai 10 %
A P Bank Ltd. ... 10 %	Industrial Bk. of Scot. 9 %
Henry Ansbacher ... 10 %	Keyser Ullmann ... 10 %
Banco de Bilbao ... 10 %	Knowsley & Co. Ltd. ... 12 %
Bank of Credit & Cmce. 10 %	Lloyds Bank ... 10 %
Bank of Cyprus ... 10 %	London Mercantile ... 10 %
Bank of N.S.W. ... 10 %	Edward Manson & Co. 11½%
Banque Belge Ltd. ... 10 %	Midland Bank ... 10 %
Banque du Rhone ... 10½%	■ Samuel Montagu ... 10 %
Barclays Bank ... 10 %	■ Morgan Grenfell ... 10 %
Barnett Christie Ltd. ... 11 %	National Westminster 10 %
Bremar Holdings Ltd. 11 %	Norwich General Trust 10 %
Brit. Bank of Mid. East 10 %	P. S. Refson & Co. ... 10 %
■ Brown Shipley ... 10 %	Rossminster Accept'cs 10 %
Canada Perm't. Trust 10 %	Royal Bk. Canada Trust 10 %
Capitol C & C Fin. Ltd. 10 %	Schlesinger Limited ... 10 %
Cayzer Ltd. ... 10 %	E. S. Schwab ... 10½%
Cedar Holdings ... 10½%	Security Trust Co. Ltd. 11 %
■ Charterhouse Japhet ... 10 %	Shenley Trust ... 11 %
Choulartons ... 10 %	Standard Chartered ... 10 %
C. E. Coates ... 11 %	Trade Dev. Bank ... 10 %
Consolidated Credits ... 10 %	Trustee Savings Bank 10 %
Co-operative Bank ... *10 %	Twentieth Century Bk. 11 %
Corinthian Securities ... 10 %	United Bank of Kuwait 10 %
Credit Lyonnais ... 10 %	Whiteaway Laidlaw ... 10½%
The Cyprus Popular Bk. 10 %	Williams & Glyn's ... 10 %
Duncan Lawrie ... ¶10 %	Yorkshire Bank ... 10 %
Eagil Trust ... 10 %	
First London Secs. ... 10 %	
First Nat. Fin. Corpn. 11 %	
English Transcont. ... 10 %	
First Nat. Secs. Ltd. ... 11 %	
■ Antony Gibbs ... 10 %	
Greyhound Guaranty ... 10 %	
Grindlays Bank ... 10 %	
■ Guinness Mahon ... 10 %	
■ Hambros Bank ... 10 %	

■ Members of the Accepting Houses Committee.

* 7-day deposits 7½%, 1-month deposits 7¾%.

† 7-day deposits on sums of £10,000 and under 7½%, up to £25,000 7¾% and over £25,000 8%.

‡ Call deposits over £1,000 7½%.

§ Demand deposits 7¾%.

¶ Rate also applies to Sterling Ind. Secures.

FARMING AND RAW MATERIALS

Rally in coffee market

By Our Commodities Staff

COFFEE PRICES rallied sharply on the London and New York futures markets yesterday. The September position climbed by £64 to £1,723 a tonne and in New York prices were the permissible limit up of 4 cents a pound in some months.

There was no new supply demand development to account for the sudden rise in prices. Dealers said it reflected the feeling among speculators that the recent decline in prices may have been overdone in view of the continuing Brazilian frost fears.

Meanwhile the Brazilian Coffee Institute (IBC) yesterday cut its forecast for 1978-79 coffee crop to 18.9m bags of 60 kilos each from its first forecast of 20.7m. This compares with the final estimate for the 1977-78 crop of 16.1m bags.

The reduced crop estimate had no impact on the market, since it had been widely anticipated that the drought this year would affect next year's output.

—Sr. Camillo Calazens, IBC president, said yields from the early part of the harvest already milled were low because of adverse weather. If this trend continued, there could be a further fall in the crop forecast.

In New York, the Federation of National Coffee Growers of Colombia announced a new three-year support programme to promote sales of Colombian coffee to U.S. roasters who supply the institutional market.

Surplus production cuts egg prices in UK

BY RICHARD MOONEY

MOST EGGS will be cheaper in the shops next week following the announcement of cuts in first-hand prices by major suppliers yesterday.

Size four eggs will go down by 4p a dozen to the lowest level for two years. The smaller size fives will be 3p cheaper and size sixes 2p cheaper.

But large eggs will be dearer. Oversupply and declining prices has forced producers to cut back production by killing off their older hens. And as these are the birds which lay the larger eggs supplies have begun to run short. Large egg prices are expected to rise by 2p a dozen.

The Goldenlay egg marketing consortium said the price cuts had been forced by overproduction, while "consumption has remained pretty steady."

The overproduction was blamed on excessive chick placings late last year and early this year in spite of Eggs Authority and Ministry of Agriculture warnings against building flock levels up too high.

Goldenlay added that there was little prospect of finding export markets for the surplus eggs as cheap eggs from Eastern Europe had saturated Britain's traditional export markets.

The UK market is usually oversupplied at this time of year but the problem is much worse than normal this year.

Mr. Peter Dean, managing director of Dean Farm Eggs, said this week's price changes will mean that large eggs are more than twice as dear as small eggs. Size twos should cost about 59p a dozen in the shops next week while size fives will cost only 28p.

The average egg producer will now be losing about 12p a dozen on each dozen he sells. "It is a sad reflection on our industry that some producers can still find time to argue about the cost of the Eggs Authority levy, which works out at about 0.2p a dozen, when they are making losses of this order," he added.

The levy is used to finance generic egg advertising and Mr. Dean argued that a substantial increase in the advertising budget could well have prevented some of the recent price cuts.

He also urged the Eggs Authority to introduce a hen culling scheme to enable farmers to get rid of older hens to other outlets.

The authority turned down pleas for such a scheme last week, but Mr. Denis Cummings, the chief executive, said yesterday it would be examining the proposals again "once the dust settled" following this week's price cuts. "We hope the cuts will stimulate demand. Subsidised culling will only be used as a last resort."

Producers are seeking a 5 per cent cut in the laying flock which would involve the slaughter of about 2.5m hens. But Mr. Cummings said last week that he thought a 500,000 hen cutback would be enough to restore balance to the market.

Copper values fall again

By John Edwards, Commodities Editor

COPPER PRICES fell again on the London Metal Exchange, with cash wirebars closing £13.75 lower at £709.75 a tonne—a decline of about £70 in the past two weeks.

The fall yesterday mainly reflected the steep drop overnight in the New York copper market. Heavy speculative selling was triggered in New York by news that Asarco, one of the leading U.S. producers, had cut its domestic selling price by 2 cents to 65 cents a pound.

Most other North American copper producers have quickly followed Asarco's price cut. It is generally agreed that the surge in prices, following the invasion of the Shaba province in Zaire, was probably overdone.

However, market sources point out that buying interest, notably from China, is coming in at the lower price levels and they, therefore, feel prices will not fall much further for the time being at least.

The fall in copper depressed other base metal markets too. The rise in tin prices was halted, despite an increase in Penang overnight.

Nervous profit-taking sales met a lack of demand and standard grade cash tin eventually closed £115 down at £6,790 a tonne.

Lead and zinc values were also hit. Cash lead fell by £4.25 to £303.75 a tonne, despite rumours of some Eastern European buying interest and the continuing Amax refinery strike.

Cash zinc fell by £6.25 to £310.75 a tonne.

● Cobalt prices have fallen sharply on the free market, Reuter reported. A price range of between $20 to $23 a pound for broken cathodes is now being quoted by dealers.

CHINESE AGRICULTURE

Great achievements with simple tools

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

IN AN inconspicuous corner of the industrial exhibition in Shanghai is a little heap of metal tools—a hoe and a few sickle blades about six inches long. These are the tools on which at least 99 per cent. of Chinese farming depends. Everything else is made of wood, driven by the power of human muscle and a few water buffalo.

Yet in spite of this almost prehistoric equipment productivity per acre, and use of available resources, is of a very high standard.

Because of the double and treble cropping yields, they cannot be equated with normal Western standards. But claimed grain yields of from two to four tonnes an acre over the year are good by any criteria.

China is farming as if under siege. No plot of land, however tiny, is left untilled. Even rail and road sides are planted. The gardens of some of the museums are growing wheat, as were the pavements of Sian.

The maintenance of soil fertility is fundamental. Every waste product: "night soil" (human excreta), dung, stubble, straw, weeds is composted and applied. Each plant of one field of cotton had received a handful of compost, besides basic fertiliser.

Masses

The pig, China's most common farm animal, is kept as much for processing vast masses of unlikely feed into dung as for producing meat. As a result the pigs have vast pot bellies, but tiny hams. Grain is hardly fed to livestock at all.

Out of the country's total area of 900m hectares only 100m is classed as cultivable at present and only about 30 per cent is irrigated. This area feeds and clothes 900m people adequately although not, of course, to Western standards and on a largely vegetarian diet. Nevertheless, this is an outstanding achievement, for which, of course, the authorities claim a lot of credit.

This is fair enough. But in reality I believe their main contribution has been to provide the security under which the Chinese have been able to develop their instinctive genius for growing things.

One has only to watch the thoroughness with which the Chinese tend every single plant under their care, to realise Chairman Mao's luck in having had the Chinese to lead. They are not like some of the other so called hungry peoples, whose basic agricultural incompetence has them for ever rattling their begging bowls to rouse the conscience of the West. It's nothing really to do with Communism.

The contrast with what I saw of industry was striking. In both commune and town factories application of effort was poor. Machines were unmanned; there were masses of rusting half-finished parts and hordes of workers doing little or nothing. A general air of lack of direction. Perhaps the Chinese just don't like factory work.

But while agriculture output per acre is commendably high, it is very low indeed per worker. Each farm visited had just over one worker per acre when growing cereals, rising to two or more under more intensive systems. As a rought guide each worker produced about three tonnes of grain a year or its equivalent.

In Britain to-day output per man would be 100 times that. Output of other crops would be in proportion, and it would be difficult if not impossible to equate the economics of Chinese farming with those anywhere else in the world.

The Chinese plan to increase output substantially, from 280m tonnes of all grain at present, to around 400m. tonnes. By grain they mean not only cereals but pulses, potatoes and other food crops. They claim that mechanisation will be a factor, as will increased availability of fertiliser, especially nitrogen.

Tractors

Mechanisation is certainly lacking. Only in the vicinity of Shanghai did I see any significant evidence of the use of machines. A few tractors, a rice transplanter and mechanical thrashing machines of the most elementary kind. On one commune farm I was proudly shown the machine shop, where a girl was fabricating half-inch nuts and bolts by hand from steel rod and plate.

The general application of mechanisation could in the Chinese context positively limit yields. The practice of double cropping in the short growing season entails planting the next crop before the last one has ripened. This would be almost impossible to mechanise sensibly.

It is, for instance, perfectly easy to plant, grow and harvest rice completely mechanically. But only on a one crop basis, or at the most two, as is done in the U.S. and elsewhere.

So the aim will probably be to cut some of the more laborious work: ploughing with walking tractors instead of the hand-held hoe; spray irrigating instead of hand watering. But the scale of the problem is almost beyond belief.

EEC threat to lamb prices

BY CHRISTOPHER PARKES

THE PRICE of lamb in Britain could go up 35 to 40 per cent if the Common Market Commission's proposals for an EEC policy governing trade in the meat is approved, Mr. Allan Frazer, European director of the New Zealand Meat Producers' Board warned MPs yesterday.

Questioned by a Commons committee on EEC Commission plans for a sheepmeat marketing regime, Mr. Frazer forecast an increase in prices far in excess of the 5 to 15 per cent expected by the Ministry of Agriculture.

At present New Zealand lamb cost around 40p a pound at the dockside in Britain. UK farmers earned about 65p a pound for their produce while in France farmers were paid 100p.

Mr. Frazer also feared that price increases would lead to a drop in consumption. It had been estimated that a 10 per cent rise in prices cut consumption by 11 per cent.

Key to the problem lay in France, where the Government was anxious to protect the income of sheep farmers.

If all nine EEC governments respected an earlier ruling from the European Court of Justice—the Charmasson case on free trade in bananas—and lifted all national barriers to intra-EEC sales of lamb there would be no need for a common sheepmeat policy.

France should not hope to solve its social problems by interfering with international trade. Some internal arrangement could serve to meet EEC rules.

Mr. Frazer believed that the Commission felt obliged to draft policy proposals as part of its legal responsibility and that its proposals did not stem from "strong" requests made by any member state.

Common Market exports to New Zealand could suffer if lamb imports were curtailed. Nearly 40 per cent of New Zealand's foreign exchange came from sales of lamb, mutton, wool and by-products of sheep. Any cuts would damage New Zealand's ability to buy European manufactured products, he added.

New Zealand had attempted to open up new markets for lamb, but major outlets could be found only in Anglo-Saxon countries, southern Europe and among the Arab states.

It now sold 15,000 tonnes of lamb a year in Japan. This market had taken 15 years to develop. And in the Middle East, although sales were progressing, development of the market was difficult.

The demands for ritually slaughtered lamb were not easy to meet, frozen lamb was not popular and storage and distribution facilities were not adequate.

Officials of the New Zealand Tonnage Committee—representing the companies shipping the country's produce—said they had invested £300m in ships, containers and dock facilities over the past 10 years. The ships were highly specialised and could not be used for any other trade.

New cocoa pact decision likely next month

By Our Commodities Staff

A DECISION on whether the 1975 International Cocoa Agreement should be re-negotiated or extended beyond its September 1979 deadline is expected to be taken at next month's meeting of the International Cocoa Council.

An ad hoc committee has been considering proposals put forward by producers and the U.S.—which is not a member of the present agreement — for changes in the pact.

Committee delegates said the consensus was in favour of a simpler and more flexible approach to price stabilisation in any new pact.

The producer proposal under discussion called for the new agreement to be based on export quotas backed by a buffer-stock or on a buffer stock alone. The U.S. wants the pact to rely on a buffer stock and sees no need for quotas.

UK herring catch halved

By Our Commodities Staff

BRITAIN'S HERRING catch continued to decline sharply last year, mainly as a result of the closure of the North Sea herring fishery from the end of February.

The total catch in 1977 was 42,435 tonnes, 53 per cent below last year's 90,913 tonnes and nearly 75 per cent down on 1973, according to the Herring Industry Board.

In its annual report published yesterday, the Board said the fate of the North Sea herring fishery illustrated the need for wider exclusive control areas than the six miles granted in the EEC treaty of accession.

Spain to aid quicksilver industry

MADRID, June 15.

A GOVERNMENT regional development plan which will aid the Spanish quicksilver industry is expected to be published within a few days, according to sources close to the state-owned mining company, reports Reuter.

The plan includes operating a new mine which, although not yet fully assessed, is believed to have sizeable reserves which will last at least 10 years at present extraction rates.

A similar productive lifespan is forecast for existing mines.

Little interest in free milk scheme

FINANCIAL TIMES REPORTER

A CAMPAIGN to persuade local education authorities to provide school milk for children up to 11 years old with the help of an EEC subsidy was launched yesterday by the National Dairy Council.

Free school milk is already provided for 2m children up to seven years old. A further 2.75m would benefit if the local authorities take up the EEC subsidy, but so far none has said it wants to take up the scheme.

The offer was made to local authorities in the Budget on April 11. It would not cost them anything to begin with, but from next Easter it would cost about 1p a child a day.

The National Farmers' Union said: "Britain's dairy farmers who are financing the major part of the EEC scheme, are amazed to find that local authorities are deciding to veto it and withhold milk from their schoolchildren."

The Department of Education and Science said it had asked local authorities to say by September if they intended to take up the scheme. So far, only one official reply has come in—from Kent—which turned it down.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Steadied after a sharp fall following the overnight weakness of New York. Reports of Chinese purchases added some firmness to the market. In very active trading forward metal started at £725, fell to £721 but held around this level before slipping to £726 on the morning Kerb. In the afternoon the price started at £733 and then fell to £729.5 before closing at £730.5 with Comex showing greater signs of steadiness. Turnover 62,400 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	706.5-7	—.25	709.5-10	—13.5
3 months	727.5-8	—26	730.5-1	—15
Settl'm'nt	707	—25	—	.....
Cathodes				
Cash	701.5-2.5	—25	703.5-5	—14
3 months	725-.5	—24	725-6	—15
Settl'm'nt	702.5	—25.5	—	.....
U.S. Smt.	—	.....	*66.5-68	.....

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £706.5, 07, three months £732, 32.5, 32, 31, 30.5, 29, 30, 29, 28, 27, 27.5, 28, 29, 28.5, 28, 27.5, 28. Cathodes, three months £722, 23. Kerb: Wirebars, three months £725, 27.5, 27, 26, 26.5, 27, 27.5, 28. Afternoon: Wirebars, cash £710, 09.5, three months £733, 32.5, 32, 32.5, 33, 32.5, 32, 31.5, 31. Kerb: Wirebars, three months £730.5, 31, 30, 29.5, 29, 30, 30.5.

TIN—Lower, influenced by the performance of copper but initially held steady by the firmness of the East overnight.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6810-20	—90	6780-800	—115
3 months	6700-20	—70	6680-700	—90
Settlem't	6820	—100	—	.....
Standard				
Cash	6810-5	—82.5	6780-800	—115
3 months	6690-5	—70	6670-5	—95
Settlem't	6815	—85	—	.....
Straits E.	$1766	+18	—	.....
New York	—	.....	—	.....

Forward metal fell from £6,750 to £6,690 before buying against past physical business held the price. In the afternoon nervous bull liquidation and chartist selling caused a fall to £6,660 and a close on the Kerb of £6,670. Turnover 915 tonnes.

Morning: Standard, cash £6,820, three months £6,700, 10, 05, 10, £6,700, £6,690, £6,700, 05, £6,700, £6,695, 90. Kerb: Standard, three months £6,650, 90, 95. Afternoon: Standard, cash £6,840, 15, 05, three months £6,715, 10, £6,700, £6,690, 85, 80, 60, 75. Kerb: Standard, three months £6,675, 70, 65, 60, 70.

LEAD—Easier with copper's performance the main influence, although sharp falls are not expected while the Amax force majeure continues. There were rumours of East bloc purchases at the lower levels. Forward metal started at £315-£317, fell to £312 but recovered to close on the Kerb at £315. Turnover 6,500 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	303-.5	—7.75	305.5-4	—4.25
3 months	313-.5	—8	314-.5	—4.25
Sett'm'nt	303.5	—7.75	—	.....
U.S. Spot	—	.....	31-33	.....

Morning: Cash £302.5, 03, three months £314, 13, 12, 12.5, 13.5, 13, 12.5, 13. Kerb: Cash £303.5, three months £312.5, 12, 14. Afternoon: Cash £304, three months £314.5, 15, 14.5, 14, 14.5. Kerb: Three months £314.5.

ZINC—Depressed by copper but the market was neglected by comparison. Forward metal started at £324-£325 and slipped to £320 at which level stop-loss selling came in and took the price to £316. Once this had finished there was a rally to a close on the Kerb of [illegible]. Turnover [illegible] tonnes.

[illegible]

* Cents per pound. [illegible]

SILVER

Silver was fixed [illegible] an ounce lower for spot delivery in the London bullion market yesterday at [illegible]. [illegible]

[illegible]

COCOA

The market was again unchanged and remained inactive until Commission House buying caused it to close at the day's highs, reports Gill and Duffus.

[illegible]

JUTE

DUNDEE JUTE—Quiet. [illegible]

I.G. Index Limited 01-351 3466. Three month Copper 727-734
29 Lamont Road, London SW10 0HS.
1. Tax-free trading on commodity futures.
2. The commodity futures market for the smaller investor.

CONTRACTS AND TENDERS

PUBLIC NOTICES

OXFORDSHIRE COUNTY COUNCIL
£6 million Bills issued 14th June 1978 due 13th September 1978 at 9 [illegible]. Applications totalled £69 [illegible]m. Bills outstanding £6m.

NEWPORT BOROUGH COUNCIL BILLS
£900,000 Bills maturing on 13th September 1978 were offered and issued on 14th June 1978 at an average rate of 9[illegible]% p.a. Total applications for this issue amounted to £4,500,000 and these are the only bills in issue.

COFFEE

[illegible]

GRAINS

LONDON FUTURES (GAFTA)—[illegible]

SOYABEAN MEAL

The market opened £2.50 down following near limit losses in Chicago markets. Further long liquidation and stop-loss orders drove prices to new contract lows. At the close losses ranged from £2.00 to £1.50, SNW Commodities reports.

[illegible]

SUGAR

LONDON DAILY PRICE (raw sugar) [illegible]

[illegible]

WOOL FUTURES

[illegible]

VEGETABLE OILS

LONDON PALM OIL—[illegible]

MEAT/VEGETABLES

SMITHFIELD (pence per pound)—[illegible]

[illegible] African: Navels 3.55-4.60. Lemons—Italian: 100/120's new crop 4.40-4.30; Spanish: Trays 1.20-1.50, large boxes 3.00-4.00. Grapefruit—Cyprus: 20 kilos 3.20-4.00; S. African: 27/72 3.40-4.45; Jaffa: 20 kilos 4.00-4.90. Apples—French: Golden Delicious 20-lb 84's 3.50-3.80, 72's 3.60-3.90, jumble boxes, per pound 0.15-0.17; W. Australian: Granny Smith 9.00-9.50; [illegible]

GRIMSBY FISH—Supply fair, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £3.60-£4.60, codlings £2.60-£3.60; large haddock £5.20-£5.50, medium £4.00-£4.50, small £2.50-£3.20; large plaice £4.70-£5.20, medium £4.00-£5.00, best small £3.50-£4.50; large skinned dogfish £9.00, medium £7.00; large lemon soles £6.00, medium £5.00; saithe £1.50-£2.70.

Rice buffer stock planned

BANGKOK, June 15.

THAILAND IS studying setting up a central buffer stock for the Association of South East Asian Nations to maintain the stability of the rice market in the region, the Deputy Under-Secretary for Commerce announced here, says Reuter.

The idea of a regional rice buffer stock was recommended by the Philippines in an ASEAN Ministerial meeting in Jakarta early this month.

The buffer stock will be set up in addition to reserves in each ASEAN member country—Malaysia, Indonesia, the Philippines, Singapore and Thailand.

Copper deal

MEXICO HAS purchased 10,000 tons of copper concentrate from the Helca Mine near Casa Grande, Arizona, in what may be the first of a number of such transactions to meet internal copper needs, AP-Dow Jones reported yesterday from Phoenix, Arizona.

PRICE CHANGES

Prices per tonne unless otherwise stated.

	June 15 1978	+ or —	Month ago
[illegible]	[illegible]	[illegible]	680
[illegible]	[illegible]	[illegible]	$1000 10
[illegible]	[illegible]	[illegible]	712
[illegible]	[illegible]	[illegible]	731.25
[illegible]	[illegible]	[illegible]	701.5
[illegible]	[illegible]	[illegible]	720.75
[illegible]	[illegible]	[illegible]	17.375
[illegible]	[illegible]	[illegible]	291.5
[illegible]	[illegible]	[illegible]	500.625
[illegible]	[illegible]	[illegible]	$1.95
[illegible]	[illegible]	[illegible]	2.05
[illegible]	[illegible]	[illegible]	120.5
[illegible]	[illegible]	[illegible]	154.6
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	82.9
[illegible]	[illegible]	[illegible]	69.4
[illegible]	[illegible]	[illegible]	6 505
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	515.75
[illegible]	[illegible]	[illegible]	550 600
[illegible]	[illegible]	[illegible]	610
[illegible]	[illegible]	[illegible]	744
[illegible]	[illegible]	[illegible]	565
[illegible]	[illegible]	[illegible]	585
[illegible]	[illegible]	[illegible]	410
[illegible]	[illegible]	[illegible]	299.5

* Nominal. ‡ Unquoted. [illegible] August. [illegible] June-August. [illegible] July. [illegible] June-July. † Per ton.

INDICES

FINANCIAL TIMES

June 16	June 14	Month ago	Year ago
246.83	246.15	248.23	250.20

(Base: July 1, 1952=100)

REUTER'S

June 15	June 14	Month ago	Year ago
1496.2	1508.8	1470.2	1597.2

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	June 15	June 14	Month ago	Year ago
Spot	359.85	256.91	361.83	397.15
Futures	351.23	348.35	356.38	369.20

(Average 1924-25-26=100)

MOODY'S

Moody's	June 15	June 14	Month ago	Year ago
Sple Commty	924.2	923.1	923.5	870.4

(December 31, 1931=100)

COTTON

LIVERPOOL COTTON—No spot or shipment sales were again recorded, leaving the total for the week so far at 104 tons, reports F. W. Tattersall. The sluggish conditions prevailing in the raw cotton market kept business at a standstill. The start of holidays in the mill towns hampered any scope for increased productivity.

U.S. Markets

Copper and precious metals rally

NEW YORK, June 15.

SUGAR once again established new life of contract lows following the six-month extension of the ISO ratification period, Bache reports. Copper rallied on trade arbitrage buying and Commission House shortcovering. Precious metals rallied on light speculative buying. Cocoa closed firm on trade arbitrage buying and light speculative shortcovering.

Cocoa—July 133.75 (132.80), Sept. 131.00 (129.70), Dec. 126.60, March 123.50, May 121.80, July 119.50, Sept. 117.95. Sales: 829.

Coffee—"C" contract: July 169.84-169.85 (166.91), Sept. 160.94 (156.94), Dec. 152.00, March 141.75, May 135.00-139.00, July 135.00-[illegible], Sept. 130.50 bid. Sales: 445.

Copper—June 60.20 (59.20), July 60.40 (59.30), Aug. 61.00, Sept. 61.70, Dec. 62.20, Jan. 63.70, March 65.70, May 65.70, July 66.70, Sept. 67.70, Dec. 69.20, Jan. 69.70, March 70.70. Sales: 9,400.

Cotton—No. 2: July 61.40-61.49 (60.28), Oct. 63.45-63.50 (62.30), Dec. 64.75-64.80, March 65.75, May 66.10-66.25, July 67.10-67.00, Oct. 66.50-67.25. Sales: 6,550.

*Gold—June 184.50 (182.20), July 184.90 (182.90), Aug. 185.90, Oct. 188.70, Dec. 191.30, Feb. 193.50, April 197.50, June [illegible]

[illegible]

STOCK EXCHANGE REPORT

Long tap applications disappoint and subdue Gilts

Equities follow but index above worst at 469.2 after 467.4

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
May 30	June. 8	Jun. 9	Jun. 20
Jun. 12	Jun. 22	Jun. 23	July 4
Jun. 26	July 6	July 7	July 18

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Disappointment with the response to the new long tap issue tended to keep interest in the Gilt-edged sector at a low ebb yesterday. Early firmness in the longs soon gave way to dull conditions as brokers came round to the view that the tap would not be over-subscribed. News of the temporary release of around £640m of special deposits helped to steady the market and losses at the close were limited to ¼. However, stocks within the vicinity of the new tap recorded falls of around ½. The trend in the shorts was similar, but prices eventually staged a marked rally to close ⅛ higher. Application lists for the tap at this end of the market open and close today.

The industrial leaders continued to drift lower but picked up towards the close as the occasional buyer put in an appearance. Down 4.5 at its lowest of the day, the FT 30-share index recovered to close 2.7 off on balance at 469.2. As far as the equity market was concerned, the special deposits reduction was considered technical and therefore unlikely to aid sentiment.

Overall, it was another quiet day, but second-line issues again provided a useful number of features, mainly in response to trading statements. Outstanding among these was a sharp reaction of 10 to 33p in Westland following passing of the interim dividend and warning that the provisions made last year against its helicopter division might be substantially increased. The continuing low level of trade was reflected in official markings of 4,862 which were only a shade above the previous day's.

Assured of a premium debut following Wednesday's massive oversubscription, **South Tyneside** 12¼ per cent 1986 began at 10¾, in £10-paid form, and improved to 10⅞ before finally reverting to the opening level of 10¾, a premium of ¾ on the issue price. Other Corporations were overshadowed, particularly recently-issued stocks, among which **Greenwich** 11¾ per cent 1986 (£50-paid) and **Tyne and Wear** 12 per cent 1986 (£10-paid) reacted ¼ apiece to 49 and 9¾ respectively.

Interest overall in the investment currency market was more subdued and the premium after a brief initial flurry up to 114 per cent eased to close only marginally higher on the day at 113¼ per cent. Yesterday's SE conversion factor was 0.6666 (0.6653).

The market in Traded Options became quieter again. The number of contracts recorded fell to 367, as against the previous day's total of 557, and over 70 per cent of the business took place in three stocks. **Grand Met.** (110), **Shell** (107) and **ICI** (66).

In Recent-issued Equities, profit-taking clipped 4 from **Eurotherm**, at 164p.

Banks drift lower

The Bank of England's decision to reduce temporarily the rate of call for special deposits made no significant impression on Banks and the close was slightly easier. **Lloyds** ended 5 lower at 270p and **NatWest** finished 3 off at 267p, while **Barclays** were 2 easier at 328p. Elsewhere, Far-eastern advices helped **Hong Kong and Shanghai** put on 4 to 314p. **Standard Chartered**, which recently announced the acquisition of a major Californian banking complex—Union Bancorp Inc—moved up 6 to 418p. In Discounts, **Union** held at 338p; the half-yearly dividend will be announced on July 19 and not next Monday as inadvertently stated in yesterday's market report.

Apart from small buying of selected brokers, Insurances passed a quiet session. **Sedgwick Forbes** were prominent at 425p, up 8, while **Minet** and **Willis Faber** hardened 3 apiece to 196p and 265p respectively.

Breweries had diverse movements in **Guinness**, up 3 more at 180p still in anticiation of today's interim statement, and **Belhaven**, 2 cheaper at 49 despite the substantial trading recovery.

Buildings drifted marginally lower. In the absence of buyers, **Marchwiel** eased 5 to 308p, while **Richard Costain** and **Taylor Woodrow** both cheapened 2 to 290p and 376 respectively. **Fairclough Construction** touched 70p before finishing a net 3 lower at 71p on fears that it could be contemplating a bid, while profit-taking after the dividend announcement left **Heywood Williams** 5 lower at 117. **Nottingham Brick** shed a similar amount to 275p in a thin market on consideration of the results. **Brown and Jackson**, 9 higher at 125p, stood out following renewed speculative interests and despite lower rofits **William Leech** firmed 2 to 80p. **International Timber**, a penny higher at 123p, reflected the chairman's reassuring comments which accompanied the preliminary figures.

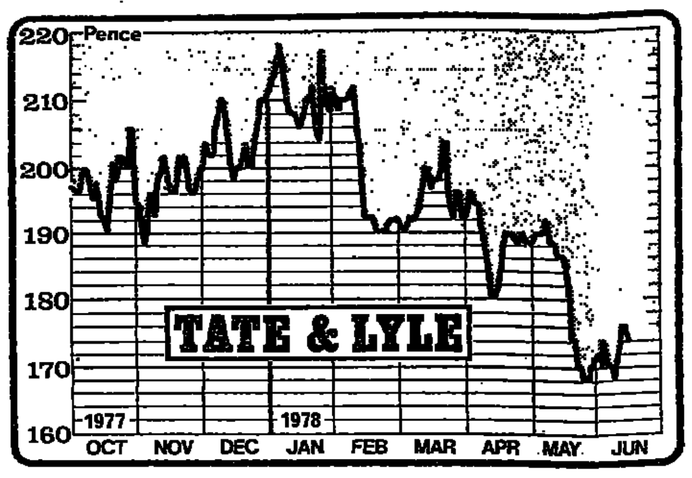
ICI eased 3 to 388p, and following the annual statements of the resective chairmen, **Croda International** shed 1½ to 50p and **Laporte** a penny to 106p. Small selling left **Allied Colloids** 3 lower at 75p and **Hickson and Welch** 4 down at 199p.

With the exception of **Combined English**, which edged forward a penny to 100p in response to the chairman's remarks at the annual meeting, leading Stores continued to drift lower on lack of support. **Mothercare**, 158p, and **British Home**, 186p, lost 4 apiece, while **Debenhams** slipped 2 to 84p and **Gussies A** a like amount to 276p, after 274p. Elsewhere, profit-taking after the good results and proposed capitalisation of both ordinary and preference shares caused **Allied Retailers**, at 268p, to lose 10 of the previous day's advance of 15. **Owen Owen** cheapened 3 to 79p but **Wallis** put on 4 to 94p.

Chloride were notably after better-than-expected results in Electricals and the close was 5 higher at 109p. **Audio Fidelity** edged forward 2 to 29p, while renewed speculative interest took **Farnell Electronics** up 6 to 293p and **Electrocomponents** 10 higher to 425p. **Sony** contrasted with a reaction of 16 to 650p on further consideration of the interim figure. **BSR** eased 4 to 110p and other minor casualties included **Normand Electrical**, 43p, and **Rotaflex (GB)**, 53p.

Westland Aircraft plummeted to 30p before closing 19 down on balance at 33p following the dismal interim report, and passing of the half-yearly dividend. **John Brown**, which holds a 16.4 per cent stake in Westland, lost 8 to 354p in sympathy. Elsewhere in Engineerings, **A. Cohen** lost 7 to 158p in following the lower annual profits but **Triplex Foundries** gained 6 to 84p on the better-than-expected preliminary figures. Comment on the excellent results prompted a fresh advance of 16 to 288p, after 290p, in **Staveley Industries** making a two-day gain of 41. Up 7 the previous day on nationalisation compensation hopes, **Vosper** ran back 5 to 172p among Shipbuildings.

Pork Farms were outstanding in Foods with a jump of 40 to a 1978 peak of 683p on news that the **Northern Foods'** bid is not to be referred to the Monopolies Commission. **NF** closed 2 easier at 94p. The announcement of substantially higher earnings lifted **R. Paterson** 8 to 47p, while modest improvements occurred in **Alpine Soft Drinks**, 133p, and **Goldrei Foucard**, 48p, following their respective trading statements. **Tate and Lyle**, however, fell to 168p in active trading on the interim figures, which failed to match market expectations before rallying to close only a net 2 easier at 174p. Further consideration of the results clipped 7 more from **Robertson Foods**, at 144p, while **Highgate and Job** slipped 3 late to 52p reflecting the sharply reduced dividend and lower profits. In Supermarkets, **William Low** improved 4 to 110p.



Eng. China disappoint

Secondary issues provided most of the interest in miscellaneous Industrials. **English China Clays** cheapened 4 to 74p, after 72p, reflecting disappointment with the annual profits, while recent speculative favourite **Bath and Portland** lost a similar amount to 78p in the absence of bid developments. **Lead Industries** eased 2 to 151p following the chairman's bearish annual statement. **Powell Duffryn**, 167p, and **Hays Wharf**, 137p, lost 4 and 5 respectively but **Vinton** rose 7 to 117p, after 118p, as bid hopes revived. **Dom** hardened 2 to 83p in response to higher preliminary profits and **Barr and Wallace Arnold "A"** put on 5 to 99p after the chairman's encouraging annual statement. **Glaxo**, 7 lower at 573p in thin trading, led the retreat of the leaders. **Boots**, 188p, **Unilever**, 538p, and **Metal Box**, 306p, all closed 4 cheaper, while **Beecham** were 3 easier at 647p. **Pilkington**, however, held firm at 483p in anticipation of today's preliminary figures.

Nationwide Leisure, suspended in 1964 as Equity and Industrial of Scotland, were unofficially traded yesterday at around 6p.

Heron remained a dull market in listless Motors and Distributors, losing 4 to 131p for a three-day fall of 17. **Bluemel Bros.** eased 3 to 63p on disappointment with the interim figures, while similar losses were sustained by **Automotive Products**, 84p, and **Arlington**, 125p. **Lucas Industries** were also on offer at 308p, down 4. Against the trend, **Jonas Woodhead** edged forward 3 to 97p in anticipation of today's preliminary figures.

Associated Book Publishers attracted fresh support and put on a couple of pence more to 250p, but Newspapers drifted easier with **News International** 5 cheaper at 253p and **Daily Mail "A"** 3 lower at 295p. Elsewhere, **Saatchi and Saatchi** improved 1½ to 167½p on the higher interim profits and proposed scrip issue, while **Mills and Allen** encountered renewed speculative interest and rose 10 to 180p.

Leading Properties eased initially, but in the absence of any worthwhile selling eventually returned to their overnight levels. Still in response to British Land's share acquisition, **Churchbury Estates** firmed 5 more to 280p, while in thin markets **Imry** added 5 at 320p and **United Real** 3 at 253p. **Control Securities**, results due next Wednesday, put on 2 to 37p, after 38p, but **Great Portland Estates**, at 300p, surrendered the previous day's rise of 4 which followed the results and scrip issue. **Midhurst Whites** shed 2½ to 39p, and **McInerney** eased 3 to 42p, while **Rush and Tompkins**, recently firm on bid rumours, reacted 3 to 118p.

Oils quiet

The absence of a decided trend on Wall Street subdued trade in Oils. **British Petroleum** ended only marginally easier at 866p and **Shell** were 6 lower at 544p. Modest activity was aroused in **Burmah**, a penny cheaper at 68p, following the announcement whereby it will sell its 8 per cent share of crude oil produced from the Thistle Field to the British National Oil Corporation. **Siebens (UK)** suffered a small initial reversal on profit-taking to 320p before rallying to 338p. A net 6 higher on balance following renewed speculative interest. Elsewhere, **British Borneo** firmed 4 to 164p in response to the chairman's optimistic remarks.

S. and W. Berisford eased initially on the interim figures to 135p before rallying to close without alteration at 137p. Among other Overseas Traders, **Sime Darby** attracted interest and rose 3 further to a 1978 peak of 85p.

Investment Trusts passed a quieter session. Gains of 5 occurred in **1928 Investment**, 218p, and **Estate Duties**, 312p, while the Hong Kong-based **Jardine Securities** reflected domestic interest with a jump of 5½ to 137p. In Financials, **Grimshawe** hardened 2 to 22p and **Pretaball Sicomi** moved up 2⅝ points to £64⅞.

British and Commonwealth were a prominent casualty in Shippings, falling 20 to 285p, after 282p, on the current year profits warning, the preliminary figures were in line with market expectations. **Caledonia Investments**, a B and C subsidiary, finished 18 off at 236p, after 232p, following its results. **Lofs** remained on offer, closing 2 cheaper at 25½p, after 25p, for a two-day loss of 8½ on the dividend omission and trading deficit. **Furness Withy** declined 7 to 238p as did **Reardon Smith** to 75p.

Tobaccos were notable for dullness in **BAT Industries Deferred**, 7 cheaper at 278p, while Textiles registered revived speculative interest in **Parkland A**, up 4 at 76p.

Selected South African Industrials continued firmly with **Anglo Transvaal Industries** adding 8 at 128p and **Abercom** 3 at 165p.

Castlefield (Klang) Rubber rose 12 to 250p ahead of the interim report and held that level after the announcement. Far Eastern demand caused **Kuala Lumpur Kepong** to move up 3 to 67p and **Highlands** 5 to 109p.

Anglo Utd. react

After the heady gains of the previous three days **Anglo United Development** went into reverse on profit-taking following the announcement that the company is progressing with preliminary work on its County Donegal uranium prospect. The shares were finally 35 lower at 225p, after 210p.

The other Northgate group companies also lost ground. **Northgate** dropped 20 to 445p while **Westfield Minerals** gave up 6 to 104p. On the other hand, another Irish/Canadian miner, **Sabina Industries**, continued to attract persistent London buying and climbed 11 more to a 1978 high of 82p—on June 5 the shares were changing hands at 36p.

In Australians, **BH South** closed a penny firmer at 119p, after 122p, despite a denial by **North Broken Hill** that the latter is considering making a bid for BH South. The denial followed a query by the Melbourne Stock Exchange to BH South as to why the latter's shares had risen so sharply over the last two days.

Other base-metal producers all lost ground. **MIM Holdings** were notably weak and closed 7 cheaper at 208p, while **Western Mining** gave up 4 to 153p, **Bougainville** 3 to 120p and **Mount Lyell** the same amount to 33p.

Against the general trend renewed speculative buying lifted **Paringa** 4 to a year's high of 40p.

The firmness of the dollar caused a $1.25 setback in the bullion price to $182.625 per ounce and left South African Golds a shade easier in quiet trading. The Gold Mines index fell 1.3 more to 157.0.

Financials were generally a few pence lower in line with Golds. An exception, however, were those issues with coal interests. "**Amcoal**" hardened 5 more to a high of 575p and **Transvaal Consolidated Land** ¼ to £14⅝.

In Tins **Sungei Besi** advanced 12 to a high of 220p following the company's return to the dividend list.

Elsewhere continuing Canadian interest lifted **Yukon** 7 more to a high of 180p.

FINANCIAL TIMES STOCK INDICES

	June 15	June 14	June 13	June 12	June 9	June 8	A year ago
Government Secs.	70.67	70.63	70.76	70.79	70.28	[illegible]	[illegible]
Fixed Interest	72.55	72.49	72.56	72.66	71.70	[illegible]	[illegible]
Industrial Ordinary	469.2	471.9	474.6	472.2	465.9	469.3	[illegible]
Gold Mines	157.0	158.3	160.9	158.2	157.9	[illegible]	[illegible]
Ord. Div. Yield	5.65	5.60	5.59	5.61	5.66	[illegible]	[illegible]
Earnings, Y'ld%(full)(*)	16.45	16.33	16.26	16.32	16.53	[illegible]	[illegible]
P/E Ratio (net)(*)	8.14	8.20	8.23	8.18	8.10	[illegible]	[illegible]
Dealings marked	4,862	4,846	5,163	4,967	[illegible]	[illegible]	[illegible]
Equity turnover £m	—	73.92	78.06	[illegible]	[illegible]	[illegible]	[illegible]
Equity bargains total	—	15,239	15,745	14,465	[illegible]	[illegible]	[illegible]

10 am 470.1. 11 am 469.5. Noon 469.4. 1 pm [illegible]. 2 pm 468.3. 3 pm 467.8. [illegible]

Latest Index 01-246 8026.

* Based on 52 per cent corporation tax. † Nil = [illegible].

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (3/1)	68.79 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (6/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.5 (6/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (6/3)	130.3 (6/3)	442.3 (22/6/75)	43.5 (26/10/71)

S.E. ACTIVITY

	June 15	June 14
Daily		
Gilt Edged	145.3	170.5
Industries	167.2	162.2
Speculative	44.7	52.5
Totals	110.7	110.5
5-day Average		
Gilt Edged	179.3	184.8
Industries	161.9	164.6
Speculative	52.1	53.9
Totals	121.5	123.0

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
BATs Deferred ...	25p	13	278	−7	296	227
ICI	£1	12	388	−3	396	328
Shell Transport ...	25p	10	544	−6	586	484
Marks & Spencer	25p	8	140	−1	160	135
Midland Bank ...	£1	8	360	—	390	330
National Wstmstr.	£1	8	267	−3	298	254
Reed Internationl.	£1	8	134	−4	143	102
BP	£1	7	866	−2	892	720
Eng. China Clays	25p	7	74	−4	84	72
GEC	25p	7	261	−4	278	233
Grand Met.	50p	7	107½	+0½	117½	87
Lonrho	25p	7	63	−1	78	60
Westland Aircraft	25p	7	33	−19	52	30
Barclays Bank ...	£1	6	328	−2	358	296
De La Rue	25p	6	355	+3	380	230

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (145)

AMERICANS (8)
CANADIANS (1)
BANKS (1)
BUILDINGS (3)
DRAPERY & STORES (2)
ELECTRICALS (5)
ENGINEERING (7)
FOODS (1)
INDUSTRIALS (19)
INSURANCE (2)
MOTORS (3)
NEWSPAPERS (2)
PROPERTY (3)
SHIPPING (2)
SOUTH AFRICANS (1)
TEXTILES (2)
TRUSTS (7)
OVERSEAS TRADERS (3)
RUBBERS (4)
TEAS (4)
MINES (6)

NEW LOWS (14)

BRITISH FUNDS (3)
Treas. Variable 1982 Exchqr. 10¼pc '95
Treas. 9pc 1994

DRAPERY & STORES (2)
Casket (S.) Debenhams

ENGINEERING (3)
British Northrop Westland Aircraft
GKN

FOODS (2)
Edwards (L. C.) Highgate & Job

INDUSTRIALS (1)
English China Clays

NEWSPAPERS (1)
Gordon & Gotch

SHIPPING (1)
LOFS

TEXTILES (1)
Lever

FOOD PRICE MOVEMENTS

	June 15 £	Week ago £	Month ago £
BACON			
Danish A.1 per ton	1,090	1,090	1,090
British A.1 per ton	1,075	1,075	1,065
Irish Special per ton	1,065	1,065	1,065
Ulster A.1 per ton§	1,065	1,065	1,065
BUTTER			
NZ per 20 lbs	—	12.51/12.62	11.41/11.52
English per cwt†	71.85	69.61/71.85	69.61
Danish salted per cwt† ...	72.85/75.88	72.10/75.88	70.15/72.42
CHEESE¶			
NZ per tonne	1,190.90	1,161.50	1,161.50
English cheddar trade per tonne	1,202.10	1,202.10	1,202.10
EGGS*			
Home produce:			
Size 4	2.40/3.40	2.50/3.40	3.00/3.50
Size 2	3.60/4.50	3.60/4.50	3.90/4.70
	June 15 p	**Week ago p**	**Month ago p**
BEEF			
Scottish killed sides ex-KKCF	55.0/58.0	53.0/57.0	53.0/57.0
Eire forequarters	34.0/36.0	30.0/32.0	—
LAMB			
English	60.0/68.0	54.0/62.0	—
NZ PLs-PMs	50.5/52.0	50.0/52.0	49.0/51.0
MUTTON—English ewes ...	—	—	—
PORK (all weights)	35.0/43.0	36.0/44.0	36.0/46.0
POULTRY—Broiler chickens	36.0/37.5	35.5/37.5	35.0/36.5

* London Egg Exchange price per 120 eggs. † Delivered. ‡ Unavailable. § For delivery June 17-25.

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Jun. 7	Jun. 20	Aug. 31	Sep. 14
Jun. 20	July 4	Sep. 14	Sep. 28
July 14	July 18	Sep. 28	Oct. 12

For rate indications see end of Share Information Service

Stocks favoured for the call included **Western Mining, London and Northern, Premier Consolidated Oil, A. Bell, EMI, Queen's Moat Houses, Kenning Motor, Tesco, CCP North Sea Associates** and **Burmah Oil**. A put was done in **Brown and Jackson**, while doubles were arranged in **Spillers, Corinthian Holdings, Pauls and Whites, Pethow, Associated Book Publishers** and **Ladbroke Warrants**.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	28	27	23
Corpns., Dom. and Foreign Bonds	5	4	56
Industrials	306	419	914
Financial and Prop. ...	146	72	302
Oils	2	14	18
Plantations	12	5	15
Mines	17	59	47
Recent Issues	1	10	27
Totals	417	610	1,402

LONDON TRADED OPTIONS

Option	Ex'rcise price	July Closing offer	July Vol.	October Closing offer	October Vol.	January Closing offer	January Vol.	Equity close
BP	750	126	—	138	3	158	—	867p
BP	800	76	2	93	—	115	—	„
BP	850	34	—	65	—	90	—	„
BP	900	9½	—	34	1	61	—	„
Com. Union	140	16½	—	22	—	26	—	151p
Com. Union	160	5	—	10	—	15	—	„
Cons. Gold	160	24	—	27	—	29½	5	177p
Cons. Gold	180	6	—	15	—	18½	5	„
Courtaulds	100	24	—	27	—	28½	5	123p
Courtaulds	110	15	—	19½	—	21	—	„
Courtaulds	120	7½	—	12	—	[illegible]	—	„
Courtaulds	130	3½	—	7½	—	[illegible]	—	„
GEC	220	49	—	54	2	60	—	262p
GEC	240	28	—	35	—	44	—	„
GEC	260	12	2	24	—	33	—	„
GEC	280	3	—	13½	2	25½	2	„
Grand Met.	100	9	5	14	7	17½	2	108p
Grand Met.	110	3¼	41	7½	7	11¼	—	„
Grand Met.	120	1¼	45	4	—	8	—	„
ICI	330	63	10	70	1	75	6	388p
ICI	360	34	—	48	—	55	—	„
ICI	390	10½	—	30	2	38	—	„
ICI	420	3½	30	10	20½	9	—	„
Land Secs.	180	30	—	34½	—	36	—	207p
Land Secs.	200	11	5	18	—	24	4	„
Land Secs.	220	3	10	10	—	13	—	„
Marks & Sp.	120	23	—	26½	—	—	—	140p
Marks & Sp.	130	13	—	19	—	19½	—	„
Marks & Sp.	140	5¼	5	11½	1	—	—	„
Shell	500	50	—	68	—	74	—	542p
Shell	550	10	31	33	3	44	—	„
Shell	600	2½	45	11	—	19	—	„
Totals			220		85		32	

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
75	F.P.	—	93	88	Bramall (C.D.)	89		[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	5/7	169	142	Norcherm	164		[illegible]	[illegible]	[illegible]	[illegible]
634	F.P.	—	38	35	Thames Plywood	35		[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
$100	F.P.	[illegible]	[illegible]	[illegible]	Amer. Express Int. Fin. Variable 82	[illegible]	
100p	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
••	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
£98	£10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
100p	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
••	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
••	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
£100	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
††£87.55	£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
‖	F.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
••	F.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
£99	£25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
••	F.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
••	F.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
100p	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
••	F.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
••	F.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
••	F.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
£99	£10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
£100	F.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
£98¾	£10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
••	F.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −
20p	F.P.	[illegible]	[illegible]	[illegible]	Brent Chemicals	191	[illegible]
36	F.P.	[illegible]	[illegible]	[illegible]	Brown Boveri Kent	58	[illegible]
C$24	F.P.	[illegible]	[illegible]	[illegible]	Canadian Imperial Bank	[illegible]	[illegible]
20p	Nil	[illegible]	[illegible]	[illegible]	Central Manufacturing	[illegible]	[illegible]
70p	F.P.	[illegible]	[illegible]	[illegible]	Dobson Park Inds.	98½	[illegible]
R5.05	Nil	[illegible]	[illegible]	[illegible]	Elandsrand Gold Mining	[illegible]	[illegible]
—	—	[illegible]	[illegible]	[illegible]	Fairview Ests.	[illegible]	[illegible]
84	Nil	[illegible]	[illegible]	[illegible]	Hestair	[illegible]	[illegible]
72	F.P.	[illegible]	[illegible]	[illegible]	Hornby Hobbies	[illegible]	[illegible]
145	F.P.	[illegible]	[illegible]	[illegible]	Howden (Alexander)	[illegible]	[illegible]
29	Nil	[illegible]	[illegible]	[illegible]	Hyman (I. & J.)	[illegible]	[illegible]
345	F.P.	[illegible]	[illegible]	[illegible]	Rowntree Mackintosh	[illegible]	[illegible]
20p	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. † Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of Ordinary shares as a "rights." ** Issued by way of capitalisation. †† Minimum tender price. ‡‡ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thur., June 15, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net.) Corp. Tax 52%	Wed. June 14 Index No.	Tues. June 13 Index No.	Mon. June 12 Index No.	Fri. June 9 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (171)	213.99	−0.6	17.58	5.61	7.93	215.23	215.67	214.65	213.26	176.85
2	Building Materials (28)	187.65	−0.4	18.34	5.78	7.79	188.48	189.39	187.83	188.80	149.36
3	Contracting, Construction (26)	345.60	−0.8	20.03	3.95	7.25	348.22	347.47	346.48	346.63	247.82
4	Electricals (15)	453.19	−0.8	15.16	3.92	9.34	456.75	459.36	457.25	449.94	340.63
5	Engineering Contractors (14)	318.56	−0.8	18.49	6.41	7.33	321.27	319.63	317.99	316.04	250.96
6	Mechanical Engineering (71)	174.89	−0.7	18.29	6.10	7.44	176.09	176.29	175.25	174.18	160.63
8	Metals and Metal Forming (17)	163.35	+0.1	17.46	8.58	7.82	163.12	163.01	163.28	162.60	147.72
11	CONSUMER GOODS (DURABLE) (52)	198.55	−0.5	16.85	4.83	8.35	199.52	199.58	197.44	195.48	166.74
12	Lt. Electronics, Radio TV (15)	233.67	−0.2	14.97	3.70	9.41	234.13	233.22	230.19	227.77	186.57
13	Household Goods (12)	179.81	−0.1	16.16	6.27	8.52	180.08	180.09	179.73	179.08	158.19
14	Motors and Distributors (25)	125.46	−1.0	19.87	6.21	7.10	126.72	127.42	126.36	125.04	110.85
21	CONSUMER GOODS (NON-DURABLE) (175)	200.77	−0.7	16.10	5.84	8.43	202.13	203.84	201.86	199.56	164.86
22	Breweries (14)	228.69	—	14.92	5.92	9.64	228.79	230.18	228.93	226.50	173.74
23	Wines and Spirits (6)	256.51	−0.2	15.77	5.62	9.62	256.91	258.25	254.24	251.92	184.53
24	Entertainment, Catering (17)	253.66	−0.4	15.40	6.73	9.41	254.58	258.86	257.22	253.35	207.43
25	Food Manufacturing (22)	198.61	−0.4	19.58	5.62	6.77	199.41	198.56	197.17	196.02	173.56
26	Food Retailing (15)	202.48	−0.4	14.43	4.96	9.64	203.28	203.30	199.77	199.59	167.15
32	Newspapers, Publishing (13)	376.42	−0.1	10.61	3.30	13.45	376.70	381.27	371.66	371.61	292.07
33	Packaging and Paper (15)	135.04	−0.9	19.69	7.83	6.70	136.26	135.92	133.08	131.97	128.38
34	Stores (39)	177.15	−1.1	11.93	4.61	12.29	179.14	180.15	177.84	176.60	143.15
35	Textiles (25)	180.34	−0.6	17.28	7.67	7.61	181.36	181.78	181.15	178.93	165.45
36	Tobaccos (3)	246.83	−1.4	22.40	7.58	5.31	250.33	252.39	252.29	251.21	205.63
37	Toys and Games (6)	106.79	−0.3	19.04	5.85	6.41	107.13	108.01	107.75	106.88	99.29
41	OTHER GROUPS (97)	197.74	−0.9	16.37	5.78	8.01	199.44	199.70	198.56	196.66	176.85
42	Chemicals (19)	284.81	−0.7	17.51	6.13	7.76	286.75	287.77	285.55	281.68	247.73
43	Pharmaceutical Products (7)	257.16	−0.7	11.51	3.98	10.85	258.98	258.16	256.61	255.73	0.00
44	Office Equipment (6)	132.77	−1.1	18.04	4.89	6.56	134.21	134.38	134.14	133.28	100.78
45	Shipping (10)	419.95	−2.5	18.94	7.50	6.40	430.52	432.72	432.20	430.28	496.47
46	Miscellaneous (55)	203.41	−0.8	17.40	6.40	7.74	205.08	205.17	204.16	201.95	173.29
49	INDUSTRIAL GROUP (495)	209.99	−0.7	16.58	5.70	8.19	211.44	212.82	210.42	208.75	177.05
51	Oils (5)	487.04	−0.6	15.16	4.06	7.16	490.18	488.69	486.68	487.08	491.56
59	500 SHARE INDEX	233.00	−0.7	16.36	5.45	8.02	234.58	235.82	233.37	231.83	202.38
61	FINANCIAL GROUP (100)	164.56	−0.3	—	5.75	—	165.12	165.61	164.10	161.20	136.98
62	Banks (6)	187.33	−0.8	25.26	5.99	5.99	188.85	191.36	189.51	185.55	153.86
63	Discount Houses (10)	216.07	−0.1	—	8.00	—	216.28	213.92	213.52	204.82	169.85
64	Hire Purchase (5)	143.78	−1.0	13.59	5.71	10.89	145.19	144.65	142.36	140.34	130.60
65	Insurance (Life) (10)	136.08	−1.0	—	6.69	—	137.49	137.92	135.78	133.75	105.66
66	Insurance (Composite) (7)	127.42	−0.3	—	6.69	—	127.76	127.69	126.38	122.57	111.22
67	Insurance Brokers (10)	335.88	+0.5	14.03	4.67	10.21	334.29	332.46	329.08	323.00	288.87
68	Merchant Banks (14)	79.88	−0.4	—	6.20	—	80.19	81.06	80.65	80.20	67.10
69	Property (31)	233.96	—	3.08	3.17	58.94	234.05	233.35	232.47	232.36	190.39
70	Miscellaneous (7)	110.70	+1.3	23.95	7.29	5.78	109.27	110.78	109.64	108.40	87.77
71	Investment Trusts (50)	215.11	+0.5	3.12	4.61	32.08	213.99	212.68	209.22	208.70	166.71
81	Mining Finance (4)	101.24	−1.1	17.07	6.87	7.07	102.36	102.13	100.80	101.59	88.85
91	Overseas Traders (19)	313.20	—	16.57	6.72	7.39	313.34	314.36	312.11	309.91	271.60
99	ALL-SHARE INDEX (673)	215.45	−0.6	—	5.51	—	216.66	217.61	215.29	213.57	184.88

FIXED INTEREST PRICE INDICES

	British Government	Thur. June 15	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	104.71	+0.17	—	4.51
2	5-15 years	114.44	−0.08	0.57	5.67
3	Over 15 years	120.95	−0.11	0.62	6.50
4	Irredeemables	126.68	—	—	6.30
5	All stocks	112.85	+0.01	0.33	5.47

	FIXED INTEREST YIELDS Br. Govt. Av. Gross Red.		Thur. June 15	Wed. June 14	Year ago (approx.)
1	Low Coupons	5 years	8.70	8.74	7.72
2		15 years	10.84	10.82	13.39
3		25 years	11.53	11.49	12.42
4	Medium Coupons	5 years	11.21	11.28	10.31
5		15 years	12.04	12.01	12.16
6		25 years	12.26	12.19	12.89
7	High Coupons	5 years	11.46	11.49	11.23
8		15 years	12.55	12.53	13.36
9		25 years	12.85	12.90	13.56
10	Irredeemables		11.59	11.59	12.65

		Thurs., June 15 Index No.	Thurs., June 15 Yield %	Wed. June 14	Tues. June 13	Monday June 12	Friday June 9	Thurs. June 8	Wed. June 7	Tues. June 6	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	57.37	†12.94	57.36	57.29	57.11	56.94	56.72	57.11	57.14	56.16
16	Investment Trust Prefs. (15)	52.75	13.48	52.94	52.94	52.94	52.61	52.52	52.93	52.93	50.97
17	Coml. and Indl. Prefs. (20)	71.62	12.94	71.74	71.72	71.57	71.54	71.54	71.57	71.40	69.67

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 22p.

هكذا من الأصل

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Crusader Insurance Co. Ltd.

Vincula House, Tower Pl., EC3. 01-626 8031

Gth. Prop. June 6	70.1	79.5	.....	—

Eagle Star Insur/Midland Ass.

1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	51.5	53.6	-0.8	5.84

Equity & Law Life Ass. Soc. Ltd.♥

Amersham Road, High Wycombe 0494 33377

Equity Fd.	113.4	119.6	-0.8	—
Property Fd.	105.8	111.3	.....	—
Fixed Interest F.	108.0	113.6	-0.4	—
Gtd. Deposit Fd.	98.8	104.0	.....	—
Mixed Fd.	110.3	116.1	-0.4	—

NEL Pensions Ltd.

Milton Court, Dorking, Surrey.

Nelex Eq. Cap.	80.3	84.5	-0.1	—
Nelex Eq. Accum.	114.3	120.3	.....	—
Nelex Money Cap.	61.3	64.5	.....	—
Nelex Mon. Acc.	64.8	68.2	.....	—
Nelex Gth Inc Acc.	49.1	51.6	.....	—
Nelex Gth Inc Cap.	49.8	52.4	.....	—
Nel Mxd. Fd. Cap.	47.8	50.3	.....	—
Nel Mxd. Fd. Acc.	48.2	50.7	.....	—

Next Sub. Day May 25

For New Court Property see under Rothschild Asset Management

Keyselex Mngt., Jersey Ltd.

PO Box 98, St. Helier, Jersey. (Enq. 01-606 7070)

Fonselex	Frs1376	1510		2.50
Bondselex	Frs118.90	125.60		—
Keyselex Int'l	£6.61	7.25		—
Keyselex Europe	£3.96	4.26	-0.05	3.70
Japan Gth. Fund	$US24.42	25.57	-0.70	—
Keyselex Japan	£11.58	12.69		—
Cent. Assets Cap.	£133.61		-0.05	.....

Warburg Invest. Mngt. Jrsy. Ltd.

1, Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd May 25	$US12.32	12.64	.....	—
CMT Ltd. May 25	£12.56	12.99	.....	—
Metals Tst. May 18	£11.83	12.17	.....	—
TSTT June 8	$US10.57	10.85	.....	—
TMT Ltd. June 8	£10.68	10.96	.....	—

World Wide Growth Management♦

10a, Boulevard Royal, Luxembourg.

Worldwide Gth Fd	$US15.23	+0.10	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♦ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CLIVE INVESTMENTS LIMITED

1 Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101.

Index Guide as at 7th June, 1978 (Base 100 at 14.1.77)

Clive Fixed Interest Capital	126.93
Clive Fixed Interest Income	112.91

CORAL INDEX: Close 467-472

INSURANCE BASE RATES

† Property Growth	9½%
† Vanbrugh Guaranteed	9¼%

† Address shown under Insurance and Property Bond Table

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
102½	100	Treasury 10½pc '78	100	....	10.49	9.39
99⅝	98½	Exch. 5pc '76-78	98	....	5.06	9.17
105¼	101¾	Treasury 11½pc '79	101	+⅛	11.32	9.15
97	94¾	Treasury 3pc '79	95⅝	−⅛	3.14	6.66

Five to Fifteen Years

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 50⅝% based on U.S.$1.8323 per £
Conversion factor 0.6666 (0.6653)

CANADIANS

S.E. List Premium 50⅝% (based on $2.0524 per £)

BANKS AND HIRE PURCHASE

BANKS & HP—Continued

Hire Purchase, etc.

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BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

CINEMAS, THEATRES AND TV

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ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

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INV. TRUSTS—Continued

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TEAS

India and Bangladesh

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Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
210	155	Falcon Rh.50c	185	-5	Q50c	1.3	23.1
24	15	Rhod'n Corp. 16½p.	17½	-½	0.56	7.1	4.8
80	52	Roan Cons. K4	70	....	—	—	—
175	122	Tanganyika 50p	160xd	....	Q10.0	ϕ	6.2
90	78	Do. Pref. 80p	90xd	....	Q9%	16.4	8.0
41	32	Wankie Col. Rh 1	37	-1	†Q7½c	1.4	17.3
16½	10	Zam.Cpr SBD0.24	14½	....	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
15	10	Acmex 25c	15	....	—	—	—
132	64	Bougainville 50 Toea	120	-3	Q6c	1.4	4.2
125	63	BH South 50c	119	-1	—	—	—
245	148	Conzinc Riotinto 50c	240	....	Q10c	2.2	2.6
72	48	G.M. Kalgoorlie $1	55	....	—	—	—
138	81	Hamptn Areas 5p	130	-2	1.45	4.1	1.7
40	10	Metals Ex. 50c	33½	-½	—	—	—
220	125	M.I.M. Hldgs. 50c	208	-7	Q9c	1.7	2.7
39	10	Mount Lyell 25c	33	-3	—	—	—
6½	1½	Newmetal 10c	4	-½	—	—	—
143	79	North B. Hill 50c	131	-1	Q8c	1.5	3.8
16	8½	Nth. Kalgurli	14½	-½	—	—	—
178	117	Oakbridge $A1	176	-2	†Q11c	1.9	3.9
48	30	Pacific Copper	42	-2	—	—	—
£14¾	750	Pancont'l 25c	£14½	-¼	—	—	—
40	12	Paringa M&E. 5p	40	+4	—	—	—
538	310	Peko-Wallsend 50c	527	-5	Q15c	4.0	1.8
160	84	Westn. Mining 50c	153	-4	‡Q6c	1.4	‡
70	35	Whim Creek 20c	60	+5	—	—	—

TINS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
30	24	Amal. Nigeria	25	......	†2.51	1.6	15.2
360	240	Ayer Hitam $M1	355	....	‡Q67c	0.9	‡
60	45	Beralt Tin	53	....	3.75	4.4	11.2
290	200	Berjuntai $M1	285	....	‡Q110c	ϕ	‡
145	111	Geevor	135	....	h4.51	3.4	5.1
10	8½	Gold & Base 12½p	10	....	—	—	—
290	220	Gopeng Cons.	290	......	15.0	0.9	7.9
165	130	Hongkong	165	....	—	—	—
93	78	Idris 10p	88	......	12.0	1.6	21.8
11	10	Jantar 12½p	10	......	—	—	—
73	68	Kamunting $M0.50	68	.....	ZQ15.5c	0.7	4.9
490	450	Killinghall	490	......	Q125	ϕ	25.5
400	280	Malay Dredging $M1	395	......	†Q95c	0.8	5.2
70	40	♠Pahang	70	....	‡Q3.75c	0.5	‡
62	50	Pengkalen 10p	60xd	......	6.5	1.3	16.7
210	165	Petaling $M1	208xd	....	†Q80c	1.6	8.8
61	49	Saint Piran	52	-1	g1.99	4.6	5.7
61	47	South Crofty 10p	58	+2	h4.13	1.5	12.0
205	140	South Kinta $M0.50	200	......	†Q77.8c	1.4	8.4
305	230	S'thn Malayan $M1	300	....	tQ131.3c	1.1	9.4
220	134	Sungei Besi $M1	220	+12	Q65c	ϕ	—
75	55	Supreme Corp. $M1	75	....	ZQ10c	—	2.9
100	85	Tanjong 15p	92	......	6.5	0.8	10.7
100	74	Tongkah Hrbr. $M1	96	......	‡Q9.8c	1.6	‡
220	148	Tronoh $M1	210	......	ZQ88c	1.6	9.0

COPPER

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
100	70	Messina R0.50	91	-5	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
17	9	Burma Mines 17½p	15	.....	—	—	—
300	220	Cons. Murch. 10c.	225	.....	‡Q30c	2.6	‡
465	245	Northgate C$1	445	-20	—	—	—
234	164	R.T.Z.	226	-3	9.5	2.8	6.4
82	30	Sabina Inds. C$1	82	+11	—	—	—
£12	750	Tara Explm. $1	£11½	+⅛	—	—	—
45	43	Tehidy Minerals 10p	43	.....	1.33	ϕ	4.7
180	120	Yukon Cons. C$1	180	-7	Q7c	2.9	1.8

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ♠ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▼ Excluding a final dividend declaration.
- ☆ Regional price.
- ∥ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend; cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 38

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	23	......
Ash Spinning	45	......
Bertam	22	......
Bdg'wtr. Est. 50p	270	......
Clover Croft	24	......
Craig & Rose £1	445xd	......
Dyson (R. A.) A	37	......
Ellis & McHdy.	62	......
Evered	18	......
Fife Forge	50	......
Finlay Pkg. 5p	23½	......
Graig Ship £1	154	......
Higsons Brew.	80	......
I.O.M. Stm. £1	150	......
Holt (Jos.) 25p	265	......
N'thn. Goldsmith	54	......
Pearce (C. H.)	165	......
Peel Mills	20	......
Sheffield Brick	45	......
Sheff. Refrshmt.	52	......
Sindall (Wm.)	90	+3

IRISH

Conv. 9% '80/82	£91⅛	-¼
Alliance Gas	73	......
Arnott	345xd	......
Carroll (P.J.)	90xd	......
Clondalkin	95	-1
Concrete Prods.	131	-4
Heiton (Hldgs.)	40	......
Ins. Corp.	148	......
Irish Ropes	130	-5
Jacob	65	......
Sunbeam	33	......
T.M.G.	170	-3
Unidare	90	......

OPTIONS
3-month Call Rates

Industrials

A. Brew	6½
A.P. Cement	18
B.S.R.	9
Babcock	11
Barclays Bank	25
Beecham	35
Boots Drug	15
Bowaters	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	12
Cadburys	5
Courtaulds	10
Debenhams	8
Distillers	15
Dunlop	7
Eagle Star	11
E.M.I.	14
Gen. Accident	17
Gen. Electric	16
Glaxo	40
Grand Met.	9
G.U.S. 'A'	20
Guardian	16
G.K.N.	22
Hawker Sidd.	20
House of Fraser	12
I.C.I.	20
"Imps"	6
I.C.L.	20
Inveresk	8
KCA	3
Ladbroke	17
Legal & Gen.	14
Lex Service	7
Lloyds Bank	22
"Lofs"	4
London Brick	5
Lonrho	5
Lucas Inds.	25
Lyons (J.)	10
"Mams"	7
Mrks. & Spncr	10
Midland Bank	25
N.E.I.	12
Nat. West. Bank	22
Do. Warrants	10
P & O Dfd.	8
Plessey	8
R.H.M.	5
Rank Org. 'A'	18
Reed Intnl.	12
Spillers	3
Tesco	4
Thorn	22
Trust Houses	15
Tube Invest.	30
Unilever	35
Utd. Drapery	7½
Vickers	15
Woolworths	5

Property

Brit. Land	3¼
Cap. Counties	4½
E.P.	5
Intreuropean	4
Land Secs.	16
MEPC	12
Peachey	8
Samuel Props.	9
Town & City	1¼

Oils

Brit. Petroleum	45
Burmah Oil	5
Charterhall	3
Shell	28
Ultramar	20

Mines

Charter Cons.	12
Cons. Gold	14
Rio T. Zinc	16

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Friday June 16 1978

OECD meeting fails to set growth targets

BY ROBERT MAUTHNER PARIS, June 15.

MINISTERS FROM the 24 member countries of the Organisation for Economic Co-operation and Development agreed here today to take concerted measures to step up economic growth, without, however, setting any specific targets for individual countries, or fixing a timetable.

Nor did the chairman of the meeting, Mr. Kiichi Miyazawa, the Japanese Minister for Economic Planning, expect quantitative growth commitments would be made by participants at the Western summit meeting in Bonn next month.

The most positive outcome of the meeting was that eight countries—West Germany, Japan, Switzerland, Belgium, the UK, France, Italy and Canada—undertook to take "appropriate measures" to ensure that the expansion of their domestic demand was significantly greater than in 1977.

The final communique was depressingly vague, both on the precise objectives of the member countries and the manner in which a boost to economic growth should be achieved. It merely stated that the scale and timing of expansionary action by the eight countries should be determined "in the light of their internal and external circumstances."

The communique did, however, emphasise that countries with strong balance of payments surpluses bore a particular responsibility, an indication that West Germany, Japan and Switzerland were expected to do more than their partners.

All the other member countries, which were not in a position to expand domestic demand, were called on to concentrate primarily on reducing inflation and bringing their payments back into equilibrium.

EEC and UK offshore equipment subsidy, Page 2

U.S. seeks tighter export credit controls, Page 4

Politics Today, Page 23

Though the communique contained a firm commitment to an open-market system and the Ministers *renewed their four-year-old trade pledge*, under which they undertake to refrain from unilateral measures restricting trade, some countries, notably the UK, underlined the practical obstacles to putting all these good intentions into effect in the present depressed world economic climate.

Mr. Denis Healey, the Chancellor of the Exchequer, warned countries with large payments surpluses that they must take expansionary action before expecting the deficit countries to dismantle their job-protection measures.

A country like the UK, which had moved into surplus partly at the expense of very high unemployment could not be expected to renounce special measures to protect employment if there was not enough demand in the world to bring unemployment down by normal means, he said.

The positive adjustment which was required was one in which the surplus countries accepted a responsibility no less than the deficit countries to produce a better balance of payments in the world as a whole.

Mr. Healey said that if the surplus countries did not choose the method of positive adjustment by stimulating internal *demand, their currencies were* bound to appreciate until their external payments were balanced. But this would be achieved only at the cost of slower growth in their own and other countries.

Owen looks at Rhodesia contingency plan

BY REGINALD DALE

THE GOVERNMENT has taken a fresh look at contingency plans for a military rescue operation in Rhodesia if civilian lives are endangered, Dr. David Owen, the Foreign Secretary, disclosed yesterday.

Re-examination of the plans was prompted by last month's Franco-Belgian evacuation of Europeans from Zaire, he told a Press conference.

Dr. Owen, launching moves by the Foreign and Commonwealth Office to promote "open Government" stressed that a British airlift would be exclusively for humanitarian purposes and be undertaken only as a last resort.

His remarks are not likely to be taken kindly by African leaders such as President Nyerere of Tanzania, who has sharply criticised interventionist Western policies in Africa.

Dr. Owen said the UK could rush paratroops to an African destination "within days" in the same sort of strength as the French force sent to help evacuate Zaire's Shaba Province. Over 600 French paratroopers were involved in that operation.

He was vague about the people such a force might be intended to evacuate from Rhodesia, though he referred to British expatriates and said both blacks and whites could be involved.

There are up to 80,000 full British citizens in Rhodesia, and a further 75,000 who could claim right of abode in the UK, according to the latest Foreign Office estimates.

UK forces could certainly secure an African airfield, Dr. Owen said.

He stressed that at each stage of the Zaire operation the Zairean Government's approval had been obtained.

Dr. Owen said he thought Cuba was showing greater sensitivity to world reaction against her military presence in Africa, particularly among the non-aligned nations.

Havana would have to demonstrate that it was genuinely non-aligned if it were to host the planned non-aligned summit in Cuba next year.

It would be a significant sign if Cuba were to withdraw some of her troops from Ethiopia now that the war with Somalia was over. If the Cuban troops were redeployed elsewhere in Africa it would be "very ominous."

Dr. Owen was encouraged that Cuban forces seemed to have pulled back from confrontation with the Eritrean separatists in Ethiopia. He hoped that Zambia would not allow a further build-up of Cuban military advisers to the Zimbabwe African People's Union forces on her territory.

Double standards

Nevertheless, the West should not apply double standards. Governments like the British had very good friends in Africa and wanted to retain the right to send forces if friendly territory was threatened.

Dr. Owen's Press conference was called to announce plans for formerly classified background briefs on foreign affairs to be made available to the public.

The papers, hitherto distributed confidentially to British embassies abroad, are similar to those made available to selected journalists by the Foreign Office's now defunct Information Research Department.

He stressed that the papers did not represent official policy, and warned that they might sometimes be incorrect. The decision to release the documents was a serious effort to generate open debate, "even if a few feathers were likely to be ruffled."

Liberals take tougher line on National Insurance

BY PHILIP RAWSTORNE

DESPITE ITS victory in the Commons confidence vote, the Government still faces serious difficulties in implementing its proposed National Insurance surcharge on employers.

The Liberals, who abstentions in Wednesday's vote saved the Government, threaten to oppose insertion of the surcharge provisions in the Finance Bill.

Without Liberal support, the Government has little chance of securing the amendment or the enabling resolution that is also required when the Bill comes before the full Commons again early next month.

Ministers are to begin further talks with the Liberals on the issue shortly.

Liberal demands for reduction of the proposed surcharge to 1½ per cent have been rejected by the Government. Mr. David Steel, the Liberal Leader, has warned the Prime Minister that his MPs are adamant in refusing to lend their support to introduction of a 2½ per cent rate.

The hardening of the Liberals' attitude is due in part to the political necessity of separating themselves from the Government as the Lib-Lab pact comes to an end.

Conservative leaders, now convinced that the General Election will be held on October 12, launched a robust attack yesterday on the Liberals' aid for the Government, in a bid to persuade Liberal voters in the country to switch allegiance. The Liberal leaders counter-attacked just as strongly.

Sir Geoffrey Howe, the Shadow Chancellor, said that the result of the Commons division would have "greatly dismayed" many people who voted Liberal in 1974.

"It will not now be long before they will have the chance to secure the return of a sensible Conservative Government that is the only hope of salvation from a dismal Socialist future," he added.

Mr. Michael Heseltine, Tory Environment spokesman, said the Liberals "may have saved Mr. Healey's bacon but they certainly cooked their own."

Mr. Peter Walker, former Tory Industry Minister, said: "The electors will not forgive the Liberal Party for their actions."

Mr. Steel hit back, calling the Tories "a band of faceless incompetents." He said: "Having failed to produce an alternative Budget or any reasoned policies, they now descend to crude abuse of the Liberals."

This struggle for the 5m votes that went to the Liberals at the last election is bound to be a major feature of the prolonged election campaign now in prospect.

Conservatives believe that the Government is unlikely to be upset by any adverse vote in the Commons for the rest of the session.

Even the fact shown in the latest opinion polls that a growing proportion of the public expect an autumn contest adds to the pressures.

Mr. Callaghan again indicated in the Commons yesterday that he hopes by the time of the TUC in September to have achieved an understanding with the unions on pay which would include "a better show of differentials."

Mrs. Thatcher is to tour Tory marginal seats in September.

The trade figures, which embarrassed the Labour Government's campaign in 1970, and the monthly retail price index are due to be published on October 13.

John Elliott writes: The Confederation of British Industry is continuing to press for a meeting with the Prime Minister to put to him in detail its view that the proposed increases in employers' national insurance contributions would be damaging for British industry.

Institutional investors may meet Westland

BY ANDREW TAYLOR

A TOP-LEVEL meeting between institutional investors and Westland Aircraft is on the cards following the company's surprise announcement on Tuesday night that it is to forgo an interim dividend and its warning that profits in the current year will be disappointing.

Yesterday Westland's share price fell 19p to 33p, knocking £11m off the group's market capitalisation. At one stage the price touched as low as 30p.

At least one institutional shareholder is known to have made a tentative approach to Rowe and Pitman, Hurst Brown, the company's brokers, to see if there is a need for an institutional shareholders' meeting, while another institution said yesterday that "such a move would be justifiable."

Some institutions and City analysts are aggrieved that until Tuesday there had been no indication from the company — despite two meetings with major shareholders and brokers this year: one only eight weeks ago—that provisions made against a helicopter contract in last year's accounts were likely to prove inadequate.

Then the group made a provision of £6½m largely against the helicopter contract, but also against a hovercraft contract. However in its annual report published in January the group said: "The provisions now made have taken into account likely levels of inflation over the next two years."

Brokers' analysts who attended one or both meetings with the company this year said yesterday that there had been nothing to indicate that this provision was anything but adequate. This had given rise to a series of optimistic brokers' circulars about the company's immediate prospects, with recent pre-tax profit forecasts for the current year as high as £12m.

Now the group has said that the provisions made against the helicopter operations in 1976-77 *might be substantially increased* in the current year.

On Tuesday, ahead of Westland's announcement—which came after the stock market had closed—its share price stood at its high for the year of 52p.

The subsequent collapse of this price has also affected John Brown which holds a 16.4 per cent stake in the group. Brown's share price yesterday fell 8p to 354p.

Legal doubts delay EEC decision on cartel plan

BY MARGARET VAN HATTEM BRUSSELS, June 15.

THE EEC Commission has been forced to delay for two weeks a decision on proposals for "crisis cartels" because of serious doubts over their legality.

Commissioners were due to have discussed the matter in Strasbourg yesterday, but the talks were postponed when it became clear that the matter was still a long way from resolution.

Commission lawyers believe that the proposal to suspend the Community's usual anti-trust provisions in crisis sectors badly in need of restructuring, such as synthetic fibres, violates EEC rules on competition.

They have suggested that special legislation may have to be drawn up and approved by the Council of Ministers to provide a legal basis for the proposals.

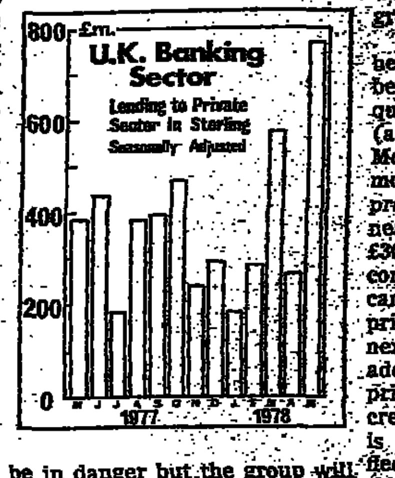
The aim of the legislation would be to impose much stricter conditions for the setting up of crisis cartels than were previously envisaged.

THE LEX COLUMN

Sugar turns sour for Tate

Maybe a third of the long tap was left unsold yesterday and the stock could open at a small discount this morning. Still, the major funding strides taken by the authorities in the past few days allowed the market to treat the money supply statistics as being of strictly historic interest. The temporary release of special deposits appears to be a smoothing operation of the kind that has been seen before. The gilt-edged market was concerned yesterday, however, at the massive May figure of £770m for bank lending in sterling to the private sector, after seasonal adjustment. If this mostly reflects pre-corset window dressing by the banks it will soon be unwound. But if it represents to any large extent genuine demand arising from economic recovery there could yet be monetary problems ahead.

Index fell 2.7 to 469.2



Tate and Lyle

Tate and Lyle's interim figures are just as bad as had been rumoured. Pre-tax profits have slumped from £24.9m to £11.1m. The UK sugar refining operations contributed nothing in the first six months nor did the shipping side. The overseas refining operations were dragged into the red by the U.S. businesses and the overall result would have been still worse had not the commodity trading and handling side chipped in £7.5m more than in the immediately preceding half year.

Over the last three half years pre-tax profits have been £25m, £19m and now £11.1m. Admittedly, the problems of overcapacity on the refining side have been aggravated by a rather surprising 10 per cent fall in volume, due in part to the adverse impact of the bad weather on soft drink sales. However, it now looks as if Tate and Lyle's forecasts of the necessary reduction in capacity were *over optimistic.*

Under the plan agreed with the Government in March 1977 Tate reckoned on reducing its capacity from around 2m tonnes per annum to 1.4m tonnes by 1982. This assumed that European imports running at 0.2m tonnes annually would decline and exports of roughly the same order would continue. It now looks as if Tate's refining capacity needs to fall to nearer 1m tonnes per annum.

On present form Tate's profits should top £20m this year and the dividend does not look to be in danger but the group will have to axe more of its capacity if it is going to be assured of long term prosperity.

B & C Shipping

Even after yesterday's 20p fall, British and Commonwealth Shipping's shares still yield under 5 per cent at 285p, compared with over 10 per cent at P & O and Ocean.

And it is not hard to see why. B and C's diversification moves, including air transport, are now providing a healthy cushion and the only possible trouble area—the South African shipping trade—has been largely hived off to Overseas Containers Limited in return for an increased share stake. The other partners in OCL can be forgiven for feeling slightly aggrieved.

Helped by a higher contribution from OCL, B and C's pre-tax profits rose by 7 per cent to £29.3m last year and though the group is talking about a reduction in its profits in the current year it is in for nowhere near as tough a time as Ocean and P & O.

English China Clays

The setback at English China Clays this year is going to be worse than the market has been anticipating up to now. Half-time profits have dropped from £13.5m to £8.5m pre-tax. The signs have been there for some time: china clay industry volume eased by 3 per cent in the October-March period, and there has been no general export price rise on sales to the paper industry for nearly 18 months now, while the poor winter weather proved expensive. So far in the second half demand has remained sluggish, while a dispute over the annual pay settlement led to a one-week strike in parts of the group early in the current half.

The second half should enjoy better weather, and there may be some improvement in the quarry and building divisions (a fifth of profits last year). Moreover sterling has dipped to more favourable levels. Even so, profits for 1977-78 could be nearer £20m than last year's £30.5m and the key question concerns 1978-79—whether ECC can negotiate reasonable export price rises to become effective next January. Each 1 per cent added to china clay export prices means a £1m profits increase. At least the dividend is forecast to rise a tenth, reflecting the management's view that the current problems are only temporary. At 74p, down 4p, the prospective yield is 8.2 per cent.

Chloride

1977-78 must be one year the Board of Chloride would prefer to forget. Only a few weeks after losing its chairman to British Leyland the group had to report a £3.6m drop in first half profits to £7.2m. And yesterday, despite a strong recovery in the second half, the best Chloride could manage was pre-tax profits of £25.1m — a drop of 5 per cent. The only consolation is that on a Hyde basis real pre-tax profits may have improved from £16.8m to £19.9m.

Despite the costly £3m strike in the UK, profits from Europe (accounting for almost 60 per cent overall) are up £3.2m, though only industrial product sales produced any volume growth, and margins have improved half a point. But this was more than taken up by dismal performances in America (profits down £2.2m) and Australia (profits down £1½m). Of the 18 per cent increase in group sales to £306m only 4 per cent reflected volume growth.

This combination of reduced earnings and heavy capital expenditure has had a dramatic impact on Chloride's balance sheet, where net gearing would have jumped from 47 to 64 per cent of shareholders' funds without an £8½m property revaluation surplus. At 109p, where the yield is 7 per cent, the shares trade at a premium rating in anticipation that profits for the current year will recover well to approach £35m.

Continued from Page 1

Output

allied industries — was 1 per cent higher in the latest three months, compared with November-January.

The demand from this sector, and the recently imposed surcharge on steel imports, helped to boost manufacture of both ferrous and non-ferrous metals. In February-March, production was 5.6 per cent higher than the previous three months.

Comparison of broad market sectors on a three-month to three-month basis shows that intermediate goods industries were up 3 per cent, consumer goods up 0.9 per cent and investment goods up 0.7 per cent.

Although part of the gain in the intermediate sector can be attributed to increased fuel and the cold weather, it also shows signs of increasing output responding to consumer demand.

The improvement in production is in line with the April retail figures showing an increase in sales of durable goods.

If this relationship continues, the output figures for May are likely to show another sharp rise, because last Monday's provisional estimate of retail sales in May jumped by 2 per cent.

Continued from Page 1

Government loan funds study

including sight and time deposits as well as cash—rose by only £400m, seasonally adjusted, or 0.9 per cent in the month to mid-May.

This is smaller than the rise in domestic credit because there was a large external outflow associated with the major support for sterling in the period.

The target range for the growth of sterling M3 is 8 to 12 per cent.

Large amounts of gilt-edged stock have been sold in the week but one, which will sharply reduce domestic credit expansion from now on.

The offer of £1bn of a new ultra-long tap stock yesterday was not over-subscribed, as had been regarded as possible earlier in the week. But about two-thirds of the stock, on which only £15 per £100 was payable on application, is thought to have been taken up.

A further £800m of a new short tap stock is on offer this morning.

The high level of gilt-edged sales has created sharp pressure in the money markets.

Consequently, the Bank of England yesterday announced a technical smoothing operation, to ease market adjustments without loosening the constraints which the so-called corset scheme, reactivated last week, will impose on bank lending over the coming months.

This is similar to the action taken at the end of January last year when there was also a concentration of gilt-edged sales.

The operation involves the temporary reduction in the rate of call for special deposits.

The rate of call for all banks and deposit-taking finance houses will be reduced from 3 per cent of eligible liabilities to 1½ per cent with effect from next Monday, and will be restored to 3 per cent on July 3 to 3 per cent on July 24.

Weather

UK TODAY

MOSTLY cloudy, outbreaks of rain.

London, S.E. and Cent. S. England, E. Anglia, Midlands
Cloudy, showers, bright intervals. Max. 14-15C (57-59F).

Channel Isles, S. W. England, S. Wales
Cloudy, rain. Max 14-15C (57-59F).

N.E. and Cent. N. England, N. Wales, N.W. England, Lake District, Isle of Man, S.W. Scotland
Cloudy, occasional rain. Max 14C (57F).

Edinburgh, Dundee, Aberdeen, Moray Firth, N.E. Scotland
Cloudy, showers. Max 13C (55F).

Glasgow, Highlands, Argyll, N.W. Scotland, Orkney, Shetland
Mainly dry. Sunny spells. Max 15C (59F).

N. Ireland
Cloudy, occasional rain. Max. 14C (57F).

Outlook: Mostly dry, sunny intervals.

● Cool unsettled weather is expected during the next 30 days, but warmer spells likely later. Overall temperatures are expected to be near average in W. but below average in E., with total rainfall above average in most areas.

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amstdm.	S	17	63	Madrid	F	22	72
Bahrain	S	36	97	Manchstr.	R	11	52
Barcelona	C	21	70	Melbourne	C	11	52
Beirut	S	27	81	Milan	C	19	66
Belfast	C	10	50	Montreal	S	16	61
Belgrade	F	19	66	Moscow	C	12	54
Berlin	F	17	63	Munich	S	19	66
Brmghm.	R	12	54	Newcastle	C	12	54
Bristol	C	14	57	New York	S	19	66
Brussels	S	19	66	Oslo	S	21	70
Budapest	F	20	68	Paris	Th	14	57
B. Aires	R	17	63	Perth	C	18	64
Cairo	S	37	98	Prague	F	18	64
Cardiff	R	13	55	Reykjavik	C	11	52
Chicago	C	27	81	Rio de J'o	S	28	80
Cologne	F	21	70	Rome	C	23	73
Copnhagn.	S	17	63	Singapore	S	30	87
Dublin	R	11	52	Stockholm	F	17	63
Edinburgh	R	13	55	Strasbrg.	S	22	72
Frankfurt	F	21	70	Sydney	R	15	59
Geneva	C	20	68	Tehran	S	29	84
Glasgow	C	15	59	Tel Aviv	S	26	79
Helsinki	F	15	59	Tokyo	S	26	82
H. Kong	S	31	89	Toronto	S	24	75
Jo'burg	S	28	82	Vienna	S	20	68
Lisbon	C	20	68	Warsaw	F	19	66
London	R	11	52	Zurich	F	20	68
Luxemb'g	F	21	70				

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	17	63	Jersey	C	13	55
Algiers	S	25	77	Las Plms.	S	23	73
Biarritz	R	14	57	Locarno	C	17	63
Blackpool	R	11	52	Majorca	F	23	73
Bordeaux	C	18	64	Malaga	S	26	79
Boulogne	C	19	66	Malta	S	27	81
Casablnca.	F	21	70	Nairobi	C	16	62
Cape Town	S	19	66	Naples	C	26	79
Corfu	S	29	84	Nice	F	21	70
Dubrovnik	R	19	66	Nicosia	S	29	82
Faro	S	21	70	Oporto	F	17	63
Florence	F	22	72	Rhodes	S	28	82
Funchal	C	18	64	Salzburg	S	21	70
Gibraltar	S	22	72	Tangier	F	21	70
Guernsey	R	12	54	Tenerife	C	17	63
Innsbruck	C	19	66	Tunis	S	28	82
Inverness	C	14	57	*Valencia*	S	27	81
Isle of Man	R	10	50	Venice	F	20	68
Istanbul	F	25	77				

S—Sunny. F—Fair. C—Cloudy. R—Rain. Th—Thunderstorm.

The fish that stopped a £64m dam

BY JUREK MARTIN WASHINGTON, June 15.

AMERICAN conservationists won a big victory today when the supreme court forbade the Tennessee Valley Authority to complete work on a $116m (£64m) dam because the existence of a rare fish would be threatened.

The fish is the 3 inch snail darter, discovered only five years ago.

As far as is known, its only habitat is the shallow shoals of the Little Tennessee river, immediately above the dam project.

The Tellico Dam is 80 per cent complete. Construction was begun in 1966 but was effectively halted two years ago when conservationists won a lower court order—upheld by the High Court today—preventing the TVA from putting it into use because of the threat to the snail darter.

The court's ruling, on a six-to-three vote, was based on a strict interpretation of the statutes—in this case the 1973 Endangered Species Act.

Mr. Warren Burger, the Chief Justice, writing the majority opinion, said that the language of the Act "indicates beyond doubt that Congress intended endangered species to be afforded the highest priority."

Reiterating the philosophy that is becoming quite a trademark of his court, the Chief Justice stated:

"It is not for us to speculate, much less act, on whether Congress would have altered its stance had the specific events in this case been anticipated."

Dissenting, Justice Lewis Powell caustically observed: "Today, the fish wins 100 per cent."

The great environmentalist movement which grew up in the early 1970s has been able to savour few victories of late. Although much has been achieved, the recent trend has been to question the consequences of tight environmental safeguards, insofar as they add to economic costs.

The Carter Administration, for example, in its fight against inflation has suggested that some environmental regulations might be eased, and bureaucratic red tape cut, to produce a savings on cost while not sacrificing in any substantial degree desirable social benefits.

In its ruling to-day—as in the case of its equally significant verdict yesterday on the retailing of petrol in the U.S.—the court issued a clear invitation to Congress to amend existing statutes should it deem fit.

In the snail darter case, legislation is pending in Congress to exempt the Tellico Dam from the restrictions of the 1973 act.

Should that exemption pass, then it is a reasonable bet that all sorts of other "special cases," will be brought to the bar of Congress.

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